

Australia	£1.00	India	Rs. 200	Portugal	Esc. 200
Belgium	Fr. 36	Indonesia	Rp. 1,000	S. Arabia	Ri. 100
Canada	Cdn. \$1.00	Iran	Rial 100	Spain	Ptas. 166.64
Denmark	Dkr. 4.83	Israel	Sheq. 20	Sweden	Skr. 4.66
France	Fr. 6.55	Japan	Yen 100	Switzerland	Sfr. 2.20
Germany	DM 3.36	Lebanon	L.L. 100	Taiwan	N.T. \$1.00
Greece	Dr. 340	Malaysia	Mal. \$1.00	Thailand	Baht 50
Holland	Fl. 1.80	Marocco	Mdh. 100	Turkey	Lira 1.70
Italy	Lira 1,376	Nepal	Np. 100	U.A.E.	Dh. 3.67
Japan	Yen 100	Philippines	Php. 20	U.S.A.	\$1.00

World news Business summary

Dutch call for star wars talks in Europe

The Dutch Government launched a campaign for a co-ordinated European approach on the long-term military and political implications of the U.S. star wars initiative, while leaving countries free to decide whether to participate in the \$200 research programme.

The aim is to ensure full European participation in any evaluation of the programme and how it might affect the future of the defence of Europe within the North Atlantic alliance.

Foreign Minister Hans van den Broek said before going to Washington that the immediate forum for co-ordinating a European position should be the Western European Union. Page 3

Bomb kills 4 police

Four Ulster police officers were killed at Newry, near the Irish border, when the Irish Republican Army detonated a massive landmine under their armoured patrol car.

Beirut fighting

At least 30 people were reported killed and about 325 wounded as Shia Moslem Amal militiamen fought their way into three Beirut Palestinian refugee camps against heavy resistance from Palestinian fighters. Page 5

London strike off

Britain's National Union of Railwaymen abandoned a strike on the London Underground after many members ignored the strike call and three-quarters of normal services ran. Page 9

Sakharov concern

The family of exiled Soviet Nobel Peace Prize winner Andrei Sakharov said they believed that he had possibly his wife are on hunger strike.

Spanish shop strike

Shop assistants and many small shopkeepers went on strike in most areas of Spain to protest against the ending of limits on opening hours. They see the measures as favouring large supermarket groups. Page 2

Treason trial protest

South African police arrested a dozen demonstrators who chanted anti-apartheid slogans outside a court in Johannesburg at the start of the country's highest treason trial in 23 years. The trial was adjourned until July 11. Page 5

Indexation move

The Italian Government is launching a last ditch attempt to avoid the potentially damaging Communist-inspired referendum on wage indexation which is set to take place on June 3. Page 3

India curfew

An indefinite curfew was clamped on Varanasi town in India's violence-racked western state of Gujarat after one person was killed and three were injured in a spate of stabbings.

Thai army push

Thailand said it had driven the last of 1,200 intruding Vietnamese troops back into Kampuchea after two weeks of fighting in south-eastern Thailand province.

Florida blaze

A 10-mile wall of flame threatened hundreds of homes near Daytona Beach as Florida firefighters tackled the worst blazes in the state's history.

Duck's revenge

A wild duck in New Zealand's North Island town of Te Puke took revenge on a hunter, diving out of the sky, knocking him out and leaving him with two black eyes.

Israelis and Palestinians exchange prisoners

BY DAVID LENNON IN TEL AVIV AND WILLIAM DUFF FORCE IN GENEVA

ISRAEL and a Palestinian group began an exchange of prisoners yesterday in which more than 1,150 Palestinian and Lebanese prisoners were being released in three different places in return for three Israeli soldiers. The Israelis had been held by the Popular Front for the Liberation of Palestine (General Command) since the invasion of Lebanon in 1982.

Israel surprisingly acceded to the PFLP (GC) demand that those Palestinians who wished to return to their homes in the occupied West Bank and Gaza Strip should be allowed to do so. During previous swaps Israel had insisted on deporting the released prisoners.

Some 600 Palestinians were released on the West Bank having opted to return to their homes in the occupied territories. Another 394 were flown to Geneva where they were exchanged for the three Israeli soldiers. About 150 Lebanese prisoners crossed into Syria via the Golan Heights on their way back to Lebanon.

At Geneva airport a slow-motion exchange ritual was gingerly staged by the International Red Cross. The operation was co-ordinated with the simultaneous release of Arab prisoners in the occupied territories.

Red Cross officials in radio and telephone contact with the headquarters of the PFLP (GC) in Damascus and with Jerusalem improvised and soothed suspicions, as the programme was delayed by changes in Vienna of the aircraft carrying the Israelis and a switch in the timetable for the release of prisoners in the West Bank.

Some hours later, an isolated huddle of six aircraft was organised 150 metres from the main airport building. In a first phase, 213 Palestinians moved soberly in ones and twos from the Israeli Air Force Boeing 747s into buses parked in the centre. A solitary Israeli walked to a minibus. By late afternoon, when confirmation came from Israel of the release of Arabs held in Nablus in the occupied West Bank, the Palestinians were sent singly to the two Libyan and one Austrian aircraft which had arrived with the three Israelis.

In Damascus, the PFLP (GC) said that the negotiations had lasted more than two years and their success was due in large part to Mr

Hardliners purged as Communists in UK take Euro path

By Margaret van Hattem in London

BRITAIN'S Eurocommunists yesterday achieved a clean sweep of all the 45 seats on the executive committee of the Communist Party of Great Britain.

They won the party's backing for the expulsion of 18 dissidents, and for disciplinary measures against a further 24. They asserted their views - by a majority of two to one or more - on all issues of dissent and, in short, consolidated their tight grip on the party and most of its institutions.

They are now poised to begin an onslaught on the one prize that continues to elude their grasp - the party's daily paper, the Morning Star.

In recent months, the rift between the Eurocommunist-dominated executive and the hardliners who write and control the Morning Star has reached a crisis point. That is why the 39th special congress of the party was brought forward six months to be held in London at the weekend.

The Eurocommunists were hoping for a decisive show of strength to add irresistible force to the discipline they have been trying to impose on the party in recent months.

And they succeeded, possibly beyond even their own hopes. Dissenting hardliners were heard politely, but received little support. Indeed, so predictable did the voting become that when for one brief moment the party united, carrying unanimously a unilateralist peace resolution, proceedings were temporarily disrupted by an outbreak of disbelieving laughter.

Unlike British Labour Party gatherings of recent years, the Communist Party Congresses tend to be rather restrained affairs. While the Communist comrades may outdo the Labour comrades in the ferocity of their attacks on the printed page - and the pages of the Morning Star and the executive committee resolutions during the three day congress were no exception - they appear incapable of carrying personal animosity on to the platform.

Perhaps it is something to do with numbers. Party membership is now below 12,000 and the fact of there being only 251 delegates present, most of whom seem to know each other, introduces the sort of intimacy that makes outright rudeness out of place.

In such a tightly knit group, the fact that things are not spelled out indicates less a need to speak in the codes so favoured by British Conservatives than a large number of

Swedish strike ends with warnings of new conflicts

BY KEVIN DONE IN STOCKHOLM

SWEDISH civil servants ended their 18-day strike yesterday amid warnings from employers' leaders in both the public and private sectors that the settlement could lead to a fresh wave of labour market conflicts next year.

Civil air traffic to Sweden was resumed after a break of nearly three weeks with the return to work by air traffic controllers. Customs officials started clearing the backlog of Swedish export goods jammed at ports in the south of the country.

The political consequences of the strike are still uncertain, but less than four months before the Swedish general election the conflict has badly dented the Social Democrats' claim to be the guarantor of labour peace in Sweden.

The strike coincided with last week's sudden moves by the financial authorities to impose a severe squeeze on consumer spending with a dramatic increase in interest rates and other measures.

The sudden tightening of monetary policy has jeopardised the Government's earlier promise of real wage rises this year. That was to have played an important role in the Social Democrats' election campaign.

Figures published by the central statistical office show that the real wages of public-sector employees and blue-collar workers in the private sector have been falling continuously since 1976-77.

Yesterday's settlement of the civil servants' strike means a pay rise of 2 per cent or SKr 180 a month (\$20) from the beginning of December for the country's 550,000 state employees.

The proposed number of nationwide channels - which would be set up in association with a large number of local TV networks - is smaller than envisaged by many communications specialists after Mr Mitterand's announcement. Three or four channels were rumoured to be planned. Because of the limits to advertising resources, however, some experts believe that only one national commercial channel may be viable.

M. Bredin said yesterday that two commercial networks, in addition to the four TV channels already existing (one of which is the Canal Plus pay TV network), would be capable of transmitting to about 17m people. That is around one third of the population - although the number might rise to about 22m later on as more transmitters are opened up.

Gorbachev blames US for trade imbalance

By Patrick Cockburn in Moscow

MR Mikhail Gorbachev, the Soviet leader, yesterday told Mr Malcolm Baldrige, the U.S. Secretary of Commerce, that the Soviet Union wants increased trade with the U.S. but that this was not feasible until political relations improve.

Mr Baldrige, the first U.S. Cabinet member to meet Mr Gorbachev since the funeral of President Konstantin Chernenko, delivered a letter from President Reagan to the Soviet leader calling for increased trade between the two countries.

Mr Gorbachev responded by saying the unsatisfactory level of trade was the result of Washington's discriminatory policies and interference in internal Soviet affairs.

This was an apparent reference to Washington's refusal to grant Moscow most-favoured nation (MFN) status - which normalises trade relations between the U.S. and other countries - because of differences over human rights.

Soviet exports to the U.S. were only \$300m last year and imports, mostly of grain, were \$3.3bn.

Mr Baldrige is leading an American delegation to Moscow for the joint U.S.-Soviet commercial commission, which met yesterday for the first time since 1978.

No dramatic increase in trade between the two countries is expected, but the discussions are the first friendly exchange between Washington and Moscow for some weeks.

Opening the meeting of the joint commission, Mr Nikolai Patolichev, the Soviet foreign trade minister, said that American companies could not expect to win contracts in the Soviet Union unless Moscow was certain they were going to be completed.

Few details were available last night of Mr Baldrige's meeting with the Soviet leader, which went on for over two hours.

India to strengthen Soviet links, Page 5; U.S.-Soviet trade talks, Page 6

Wall St soars and \$ recoups early losses

BY PAUL TAYLOR IN NEW YORK AND MAX WILKINSON IN LONDON

WALL STREET investors went on a buying spree yesterday sending stock and bond prices soaring in early trading as U.S. short-term interest rates tumbled in the wake of the Federal Reserve Board discount rate cut.

With U.S. Treasury bill and bank certificate of deposit rates tumbling and the overnight Fed funds rate trading at around 7 1/2 per cent, all the major banks moved to the lower 10 per cent prime rate, first established late last week.

By lunchtime, with over 80m shares traded in a broad-based rally, the Dow Jones industrial average was through the 1,300 level, setting a new trading record.

At 3pm, the Dow was up 18.66 at 1,305.22.

In the bond market, the Treasury long bond gained almost another full point, sending the yield on the 30-year bond down to around 10.82 per cent.

Both markets were buoyed by the latest comments from Mr Paul Volcker, the Fed chairman, who told reporters after a keynote speech in Washington that the U.S. central bank had cut the discount rate by half a percentage point to 7.5 per cent in order to "assist in the process of orderly growth and move towards price stability."

The Fed chairman added that "it would be nice" if the discount rate cut was accompanied by Congressional passage of a fiscal 1986 budget-cutting package upwards of \$50bn. His comments came as Democrats in the House of Representatives confirmed that they

French report proposes only two commercial TV channels

BY DAVID MARSH IN PARIS


TWO NATIONWIDE commercial television channels should be set up in France, a government-sponsored report recommended yesterday.

The report, presented to Mr Laurent Fabius, the Prime Minister, by a top official, M Jean-Denis Bredin, takes a relatively cautious line over the technical and economic limits on private TV in France. President Francois Mitterand has previously announced plans to deregulate French television.

The report has been keenly awaited by the cluster of media and publishing groups which have been jostling for positions in a liberalised French TV industry. They include existing broadcasting organisations like Europe-1 and Radio Tele Luxembourg as well as the Hershant and Hachette newspaper and publishing groups.

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EUROPEAN NEWS

David Marsh charts the uphill climb of a French plant-breeding concern

Test-tube carnations collar the flower market

DOWN among the palm trees on the French Riviera, their frost-bitten fronds slowly recovering from winter, a new generation of carnations is growing up which, with luck, will never know what it is to wilt.

The plants, produced from a blend of French science and commercial expertise, have bloomed into the dominant force on a multi-million dollar world market which spreads from May 1 buttonholes in Moscow to St Valentine's Day love-tokens across the U.S.

Genetically imbued with the business-like qualities of resistance, regenerative power and ramrod straightness of stem, microscopic slivers of plant tissue born in test tubes at the Antibes-based company Barbet and Blanc represent the starting point for one fifth of carnations sold around the world.

The carnation, although relatively neglected in France because of its morbid connections (50 per cent of French sales are for graves and funerals), is the world's most important flower crop.

Barbet and Blanc's planned output this year is 85m cuttings from glasshouses and production centres in the south of France, Spain and Italy. This will account directly for 10 per cent of international carnation plantings. Breeding companies in six continents which produce

Barbet and Blanc varieties under licence represent another 10 per cent.

The young plants are sold at about FF1.50 (10p) each to horticulturalists all over the world, who then rear the blooms (each cutting produces about 10 stems) and bring them to the market-place.

Barbet & Blanc, with operations in 52 countries, counts about 8,000 such garden centres as its clients.

B&B is a considerable flower power in its own right, with sales estimated at more than FF100m (£8.5m) this year, but it is hardly known outside specialist circles as its activities are restricted to breeding.

M. Henri Blanc, managing director, explains why the company does not want to go into full-scale growing: "We would be competing with our clients."

The company's ascendancy over the carnation trade has been an uphill climb. It went through the doldrums at the beginning of the 1980s after the split between the Barbet husband and wife team which set up the company with M. Blanc in 1962.

Mme Nicole Barbet, chairman, has majority control of the shares: the Banque Nationale de Paris and the IDIA agricultural finance organisation also took stakes of a combined 22 per cent after B&B losses in 1982-83.

Now, with profits of around



FFr 8m last year expected to grow to FF15m this year, the company is on the way to recovery thanks to an increased export effort and the establishment of low-cost production centres in Spain and Italy.

The company's main battle, however, has been with a virus: the Fusarium oxysporum wilt disease which results in long-term contamination of the soil.

The disease is thought to be transmitted through the air as well as earth. The plague spread through French greenhouses particularly during the 1970s: it has been one of the reasons, along with high land prices offered by property

developers, why many horticulturalists in the French Midi regions have sold up.

Mme Barbet says the growers, seeing long-held superstitions on the carnation's links with bad luck confirmed, "thought the disease was our fault."

The need to find resistant varieties led B & B into a wide-ranging search to improve on the disease-susceptible commercial carnation hybrids developed during the war by American breeder William Sims, which subsequently swept the world.

B & B, starting as early as 1963, collected about 800 existing varieties and carried out painstaking cross breeding tests to find strains that could stand up to fusarium wilt. It has taken out about 100 international patents to protect its present tally of 55 carnation varieties, including several agreements with Eastern bloc countries.

The carnation was Lenin's favourite flower — and the Portuguese revolution in 1974 swept forward on a tide of Barbet & Blanc blooms.

M. Blanc, who has special connections going back 15 years with Hungary, hopes to conclude new deals soon with Czechoslovakia and East Germany. The company's 1985 catalogue includes 31 varieties with various degrees of resistance to

Fusarium wilt. The number will increase as a five-year selection process (starting from an original collection of as many as 30,000 individual plants) gradually brings to the commercial stage new varieties combining petal power and resistant roots.

The company uses test-tube multiplication techniques, under a process pioneered by the French agricultural research institute INRA, both in order to clone resistant progenitors and also to speed up commercial breeding of top-selling varieties.

The company's creamy-red Tanga variety, for instance, was introduced only three years ago but will account for 20m of B & B's overall carnation plantings this year. This is due to the in vitro methods which can theoretically produce 1m plants a year from a single cutting compared with only 25 to 30 using traditional methods.

M. Blanc is also nursing a potentially revolutionary project to develop laboratory techniques for transferring resistance-conferring genes across carnation varieties. He says several banks are now interested in taking the company to the hosiery and that launch on the stock market could be made in 1987. If the flotation takes place, there will be no prizes for guessing which flower the stockbrokers will wear in their buttonholes.

Academic who met Howe loses Warsaw job

By Christopher Robinski in Warsaw

THE DISMISSAL of Dr Bronislaw Geremek, an historian and a former top Solidarity adviser who met Sir Geoffrey Howe, the UK Foreign Secretary, during his visit to Warsaw last month, has sparked widespread opposition to his colleagues at the Polish Academy of Sciences.

At the same time, there are strong indications that the government has decided to speed up legal changes which would reduce university autonomy. These have aroused near unanimous protests from the academic community.

Dr Geremek, who retains close links with Mr Lech Walesa, the Solidarity leader, drew official anger when he met Sir Geoffrey, but the authorities have said that the dismissal was prompted by "anti-Soviet remarks" which the historian reportedly made during a meeting with students in Gdansk in March.

The dismissal is the first of its kind at the Academy which is Poland's main research body and where academic tenure has been secure until now.

Several hundred academics in at least four of the academy's institutes have written asking for the decision to be reversed.

It is thought that the changes in the university law could be sent for approval by Parliament as early as next month, at the end of the academic year.

The head of Polish radio and television, Mr Miroslaw Wojciechowski, has defended his policy of showing Western films and argued that much of the political propaganda broadcast at present is ineffective.

In recent month television has broadcast Western films such as *James Bond* and *Indiana Jones*. Mr Wojciechowski has pleaded that such films critical of conditions in the West serve to support the Government's political line.

Czechoslovakia and Austria to ease relations

By Leslie Collett in Berlin

CZECHOSLOVAKIA and Austria have agreed to improve their strained relations following a meeting last week between Mr Bohuslav Choupek, Prague's Foreign Minister, and Herr Leopold Gratz, his Austrian counterpart.

Austria's relations with Czechoslovakia, always poor in contrast to its increasingly close ties to Hungary, plummeted late last year after the shooting of an escapee by Czechoslovak border guards on Austrian territory. Austria subsequently reduced its official contacts to a minimum.

Mr Choupek said that border guards had been instructed to respect Austria's frontiers, and he promised that the Prague authorities would speed up the processing of Austrian citizens entering and leaving Czechoslovakia.

The Hungarian and Austrian broadcasting systems have agreed to produce a joint radio programme for German-speaking tourists visiting Hungary starting next year.

'Watergate' spectre raised in Spanish police spies affair

BY DAVID WHITE IN MADRID

THE FRONT-PAGE cartoon in the right-wing Spanish daily ABC shows Sr Manuel Fraga, the abrasive opposition leader, at table having just spooned up a telephone cable in his soup. His face is a mixture of anger and triumph. For his Popular Alliance party, heavily outnumbered in Parliament, nothing better could happen than a good scandal about political espionage.

The Socialist Government is due to answer questions in Parliament later this week on the extent to which opposition parties have continued, 10 years after the death of Franco, to be spies on or infiltrated by police intelligence services.

Both Popular Alliance and the Spanish Communist Party, which is also reported to have been the object of surveillance, are on the war-path. Sr Fraga's party has demanded to know what kind of information has been collected, how long the practice has been going on, who has been doing it and how the Government proposes to stop it.

Popular Alliance leaders see this as possibly their best opportunity since the Socialist came to power two and a half years ago to put Sr Felipe Gonzalez's government on the spot. They aim to build up a censure motion on the issue, something they may not get another chance for in the current legislature.

The party says it has "well-grounded suspicions" that there have been "moles" in its organisation, and claims to have names. Last week, it filed a formal legal complaint after newspapers carried reports about the spying activities. At the same time, it is carrying out an internal investigation to find out how confidential information got out.

Senior officials at the Interior Ministry have acknowledged that records are kept of political parties and that some activity of this kind has been going on. But they say that, since 1983,

when a new head was appointed to the Interior Ministry, the police branch dedicated to civilian intelligence, efforts have been made to reduce it to a minimum. Up to the last general election in 1982, intelligence operations were also carried out in the Socialist Party, they say.

Sr Jose Barriomero, the Interior Minister, has firmly denied, however, that any authority has given orders or consent for investigating political parties.

It would not be the first instance of members of the security forces continuing to act independently of ministry control. This is one of the legacies of the Franco regime. The more serious question is whether, as the opposition alleges, information has been used for party political ends.

Sr Fraga's party is aiming its guns principally at Sr Alfonso Guerra, the Deputy Prime Minister and the Socialist's chief election tactician. He is accused of having made use of Popular Alliance documents, including a recent speech by Sr Fraga, before they were officially released. Sr Fraga has attacked Sr Guerra as "irresponsible".

The opposition has made the obvious comparison between this affair and the Watergate break-in that led to President Richard Nixon's downfall. It is the second time commentators have begun talking of a "Spanish Watergate". The first was, an alleged Spanish connection to the West German Flick scandal.

The affair, also known as "Rheingold", was based on allegations that Sr Gonzalez has received a suitcase full of election funds originating from the Flick group. In February, a parliamentary committee, after calling Sr Gonzalez and a West German Social Democrat deputy among the witnesses, roundly rejected the allegations. But in political scandals, some mud always sticks.

Final round opens in Adams case against Commission

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE £500,000 damages claim brought against the European Commission by Mr Stanley Adams enters its final stages at the European Court in Luxembourg today.

In his unique breach of trust action, Mr Adams alleges that the Commission betrayed his identity as the source of information about the illegal activities of Hoffman-La Roche, the giant Swiss drugs company, which led to the company being fined for breaches of EEC fair trading laws.

Mr Adams, who asserts that he gave the information in confidence, blames the Commission for his subsequent arrest and

imprisonment in Switzerland for commercial espionage. The Commission denies having disclosed Mr Adams' identity to the company.

It was in 1973 that Mr Adams, then a manager at Roche's Basle headquarters, told the Commission's competition department how Roche was breaching Community fair trading laws in its worldwide business as a big producer of vitamins sold in bulk to pharmaceutical, food and animal feed companies.

His information gave details of price-fixing agreements by a cartel including Roche and six

other multinational drug companies. Mr Adams' "whistle-blowing" resulted in the Commission fining Roche DM 1m (£260,000) in 1976 for infringing Article 86 of the Treaty of Rome, which bans unfair trading practices.

Roche's appeal was rejected by the European Court three years later though the court reduced the fine by a third.

In the meantime, Mr Adams' world collapsed about his ears. After resigning from Roche in late 1973, he was arrested and spent three months in custody in Switzerland the following year facing a charge of commercial espionage. He escaped

to Italy after being released on bail.

While he was in prison his wife committed suicide, having been told that he would be sentenced to 20 years in jail.

In 1976, he was tried in his absence by a Swiss court and sentenced to 12 months' imprisonment, suspended for three years, and banished from Switzerland for five years. The Swiss Federal Appeal Court rejected his appeal in 1978.

In 1978-80 he spent 54 days in jail in Italy on fraud charges following the collapse of a pig-breeding venture he had started after leaving Roche.

He has brought two actions

for damages. In the first, founded on Article 215 of the Treaty of Rome, which required the EEC to make good any damage caused by its institutions or servants in the performance of their duties, he is claiming £500,000 compensation, including £250,000 for psychological and moral damage, and a sum in respect of 10 years' loss of earnings.

In the second action Mr Adams is claiming damages for the Commission's failure to refer Switzerland's alleged breaches of the 1973 EEC-Switzerland Agreement on Free Trade to a Community committee set up under the agreement.

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Linas SBV 2484

Small shops strike over opening hours changes

BY OUR MADRID CORRESPONDENT

SHOP ASSISTANTS and numerous small shopkeepers went on strike in most areas of Spain yesterday in a protest campaign against the ending of limits on opening hours.

Response to the strike was uneven after small companies, organisations dissociated themselves from the campaign, organised by the two main trade union bodies, the Socialist UGT and the Communist Workers' Commissions.

Small shopkeepers see the change, part of a package of

economic measures announced by the Socialist Government, as favouring "larger supermarket groups". However, the Spanish Confederation of Small and Medium Sized Companies said it would not back the strike because it did not consider it to be a way of solving the problem.

The unions claim the decree, which gives the retail sector freedom to open when it wants, subject to measures taken by regional authorities, threatens employment in the retail sector.



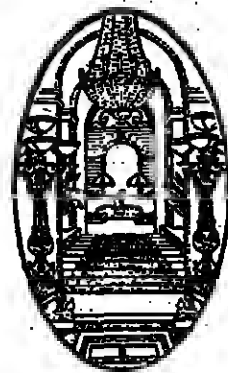
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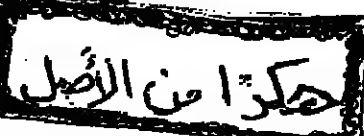
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EUROPEAN NEWS

W. German banks detail overseas loans

BY JONATHAN CARR IN FRANKFURT

THE WEST German banks, including all their offshoots abroad, are supplying less than 9 per cent (or nearly \$50bn) of the loans made by Western credit institutions to the world's major debtor states, according to the Bundesbank.

But despite this modest overall share, German bank lending is relatively high to individual countries in Eastern Europe, as well as to Nigeria, Turkey and Israel.

This emerges from the central bank's May report, released today, which for the first time gives detailed statistics on the business of German banks' subsidiaries abroad.

So far Bundesbank figures have only included business done by the

foreign branches of German banks and a part of that done by subsidiaries - that is by foreign banks controlled by German credit institutions.

Now, because of this year's tighter German credit law which says that business of foreign subsidiaries must be consolidated with that of the parent banks for capital ratio purposes, it is possible to gain a clearer overview.

The Bundesbank figures show that of nearly \$400bn worth of claims by Western banks on 25 major debtor states at the end of 1984, 8.7 per cent, or \$34.9bn, came from West German banks at home and abroad.

Of the German total, \$17.1bn came from domestic credit institutions, \$8.5bn from foreign branches - and \$11.2bn from foreign subsidiaries.

The German banking share of credit made to the deeply indebted Latin American countries is shown as relatively small - 6.4 per cent to Brazil, 4.8 per cent to Mexico and 9.3 per cent to Argentina.

But German banks have put up 19.5 per cent (\$3.2bn) of the Western credit to the Soviet Union, 25.8 per cent (\$2.3bn) to Poland and 16.5 per cent (\$1.6bn) to Yugoslavia.

The German share is also particularly high in the case of Turkey (33.1 per cent or \$1.7bn), Israel (26.2

per cent or \$1.6bn) and Nigeria (16.2 per cent or \$1.5bn).

The Bundesbank also reports that at the end of last year German banks controlled 63 subsidiaries abroad (28 of them, the biggest single group, in Luxembourg) with a combined business volume of DM 190bn (\$61.4bn).

The central bank notes that this figure is only equal to about 6 per cent of overall German banking business volume at home - but it also stresses that only 33 German banks have offshoots abroad. For those 33, the business of foreign subsidiaries accounts for an average fifth of total business volume.

Coalition attacks Kohl after poll defeat

BY RUPERT CORNWELL IN BONN

IN DELAYED but ominous reaction to the electoral defeat in North Rhine Westphalia, Chancellor Helmut Kohl has come under fierce fire from senior ministers representing the smaller partners in his ruling coalition in Bonn, the liberal Free Democrats (FDP) and the conservative Bavarian CSU.

Predictably, the most cutting assault has come from Herr Franz Josef Strauss, the CSU leader. At a party meeting in his home state at the weekend, Herr Strauss accused the Chancellor of pandering to the FDP at the CSU's expense, and of exhibiting little leadership.

"Our constitution lays down that the Chancellor should set the guidelines of government policy," he said. "In future I would like to see him doing that."

Sniping by Herr Strauss at Herr Kohl, his eternal rival, has often failed to make any impression on the thick skin of the Chancellor. This time however, the criticism may have to be taken more seriously.

In the first place, the Bavarian leader is merely putting into words what many feel in the government parties - and not least privately among the Chancellor's own Chris-

tian Democrats (CDU). Second, he himself is facing state elections in Bavaria next year.

Although the CSU dominates local politics there - in 1982 it swept the state with a 58-31 margin over the opposition Social Democrats (SPD) - Herr Strauss clearly fears that the current difficulties of the CDU, if not swiftly tackled, could rub off on his own party.

As if to underline the point, Herr Friedrich Zimmermann, the Interior Minister and also of the CSU, has publicly blamed Herr Kohl for indecision and for allowing the FDP too frequently to back out of agree-

ments previously reached with its CDU and CSU partners.

But the FDP too has shown its own unhappiness at recent events, culminating in the Christian Democrats' rout on May 12 in North Rhine Westphalia, their worst-ever showing in West Germany's most populous and industrialised state.

Herr Hans-Dietrich Genscher, Foreign Minister, demanded on Sunday that the Government concentrate more on its EEC policy. The Foreign Minister's observation reflects the ever more obvious divergences between himself and Herr Kohl.



Mr Shultz: meeting with Dutch minister.

Dutch seek pact on star wars

By Quentin Poel in Brussels

THE DUTCH Government has launched a campaign for a co-ordinated European approach on the long-term military and political implications of the U.S. Strategic Defence Initiative (SDI), while leaving individual countries free to decide whether to participate in the \$28bn research programme.

The aim is to ensure full European participation in any evaluation of the so-called star wars programme, its possible implementation and how it might affect the future of the defence of Europe within the North Atlantic alliance.

Proposals have been circulated by the Netherlands to its six fellow members of the Western European Union (WEU), including Britain, France, West Germany and Italy, suggesting that a common stand be taken on the broad strategic implications without committing them to direct participation.

The plan was outlined yesterday by Mr Hans van den Broek, the Dutch Foreign Minister, on the eve of a two-day trip to Washington where he will meet Mr George Shultz, Secretary of State, and other senior Administration officials.

He said the European nations had to convince the U.S. that they should be part of any evaluation of SDI and its implications for the security of Europe, the common goal, of curbing the arms race; the present strategy of nuclear deterrence; and the link between Europe and the U.S. in Nato.

"What is predominant for us is that we arrive at a common approach on the importance of these questions," he said in an interview. "We must try and convince the Americans that we want to be part and parcel of the evaluation which deals with these particular questions. We want to be sure the Americans will be in close consultation with the Europeans along the whole process."

Mr van den Broek said the immediate forum for co-ordinating a European position would be the WEU, although the ministerial meeting in Bonn last month ended inconclusively. Talks with the U.S. should take place within Nato.

The Dutch Foreign Minister said any decision to participate by individual governments did not anticipate any final judgement on the SDI concept of creating a defensive umbrella in space against nuclear attack. He said his own government had yet to take a decision, and the whole question would be a central part of his talks in Washington.

It was essential that any participation in SDI research was based on the understanding that the existing Anti-Ballistic Missile Treaty was strictly observed. Any step from research to actual implementation would go beyond the wording of the treaty, and would require co-ordination with the Soviet Union, he said.

Rome tries to avert pay poll

By James Buxton in Rome

BY JAMES BUXTON IN ROME THE ITALIAN Government will this week launch a last-ditch attempt to avert the potentially damaging Communist-inspired referendum on wage indexation set to take place on June 9.

Yesterday the CGIL, the biggest union federation which has majority Communist membership, put forward a new scheme for modifying the wage indexation system - which, if implemented, would make the referendum redundant, and therefore prevent its being held.

In the referendum the Italian electorate will be asked whether it wants four points deducted from the mobile (sliding scale) index which was cut off by government decree last spring. The Communist Party pressed forward the petition calling for the referendum after its parliamentary battle against the decree had failed.

If the vote went in favour of the restoration of the four points, monthly wages would be raised by a flat L27,200 (£11) and the basis of the indexation system would be revised upwards, giving a boost to inflation which last year fell below 10 per cent for the first time since 1973.

Sig Gianni de Michelis, the Labour Minister, would like to make the referendum unnecessary by achieving an agreed reform of wage indexation which would reduce protection against inflation in return for tax concessions and measures to foster employment.

Yesterday's CGIL proposal, which would ensure greater protection against inflation for the lower paid and reduced protection for others, makes his task a fraction easier.

However, he must still reconcile the differing points of view of the other two unions, of the employers and of members of the government itself, and at the end of the day satisfy the Constitutional Court that the new agreement so changes the rules as to make the referendum irrelevant.

Much depends on how far the Communist Party, presently going through a painful reappraisal of its role in Italian politics, is prepared to allow CGIL to concede.

Brandt to hold talks with Gorbachev

BONN - Herr Willy Brandt, the former West German Chancellor, said yesterday that he would meet Mr Mikhail Gorbachev, the Soviet leader, during a fact-finding visit to Moscow next week.

Herr Brandt said his talks with the new Communist Party chief and other senior Kremlin officials during a four-day visit starting on Sunday would involve an exchange of opinions on East-West issues and would not be aimed at achieving any concrete results.

Herr Brandt, travelling at the head of a delegation of his Social Democratic Party (SPD), will be the first senior West German politician to hold detailed talks with Mr Gorbachev since he came to power in March.

Herr Brandt said he would meet M Lionel Jospin, the general secretary of the French Socialist Party, in Paris today as part of his preparation for the trip to Moscow.
Reuter

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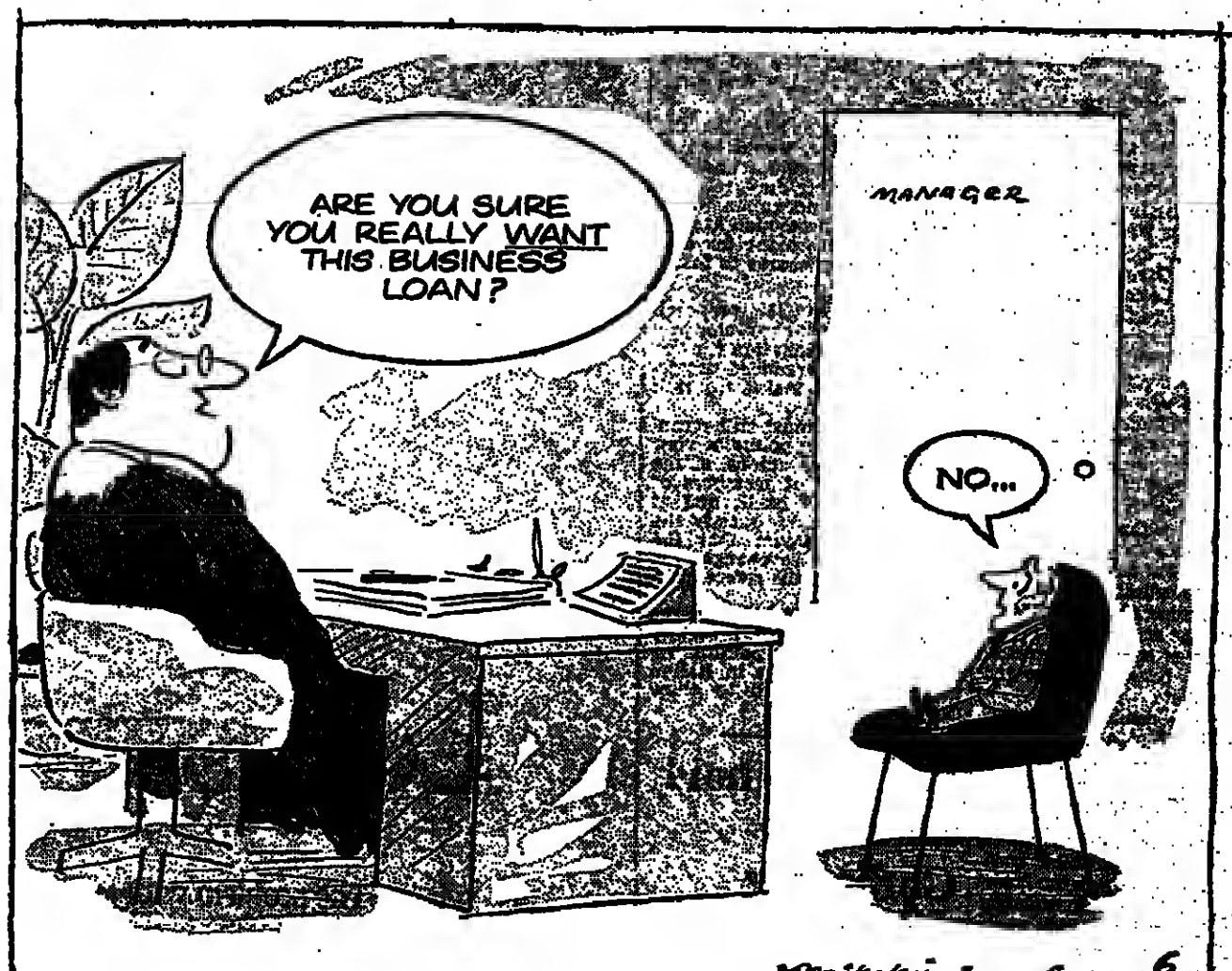
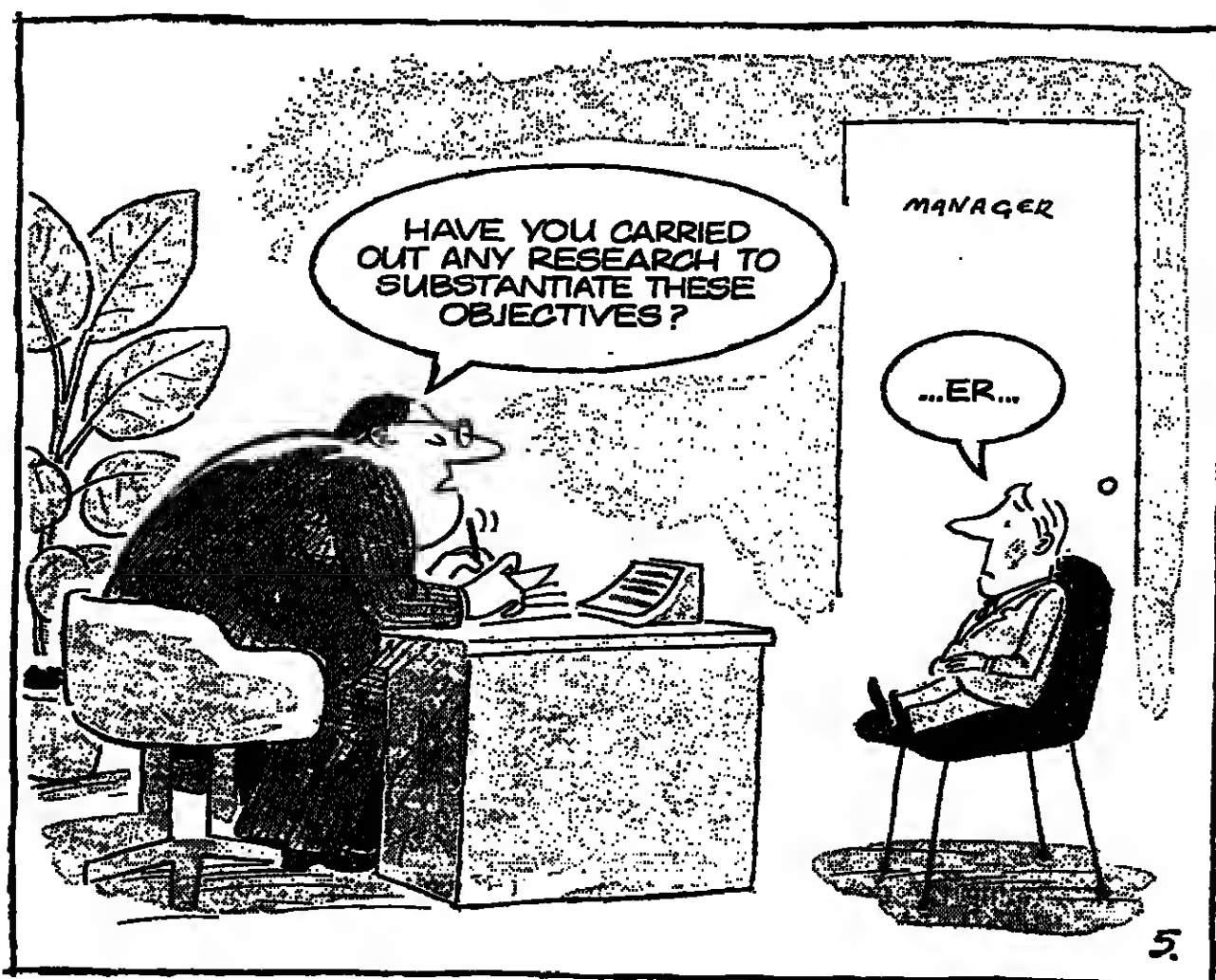
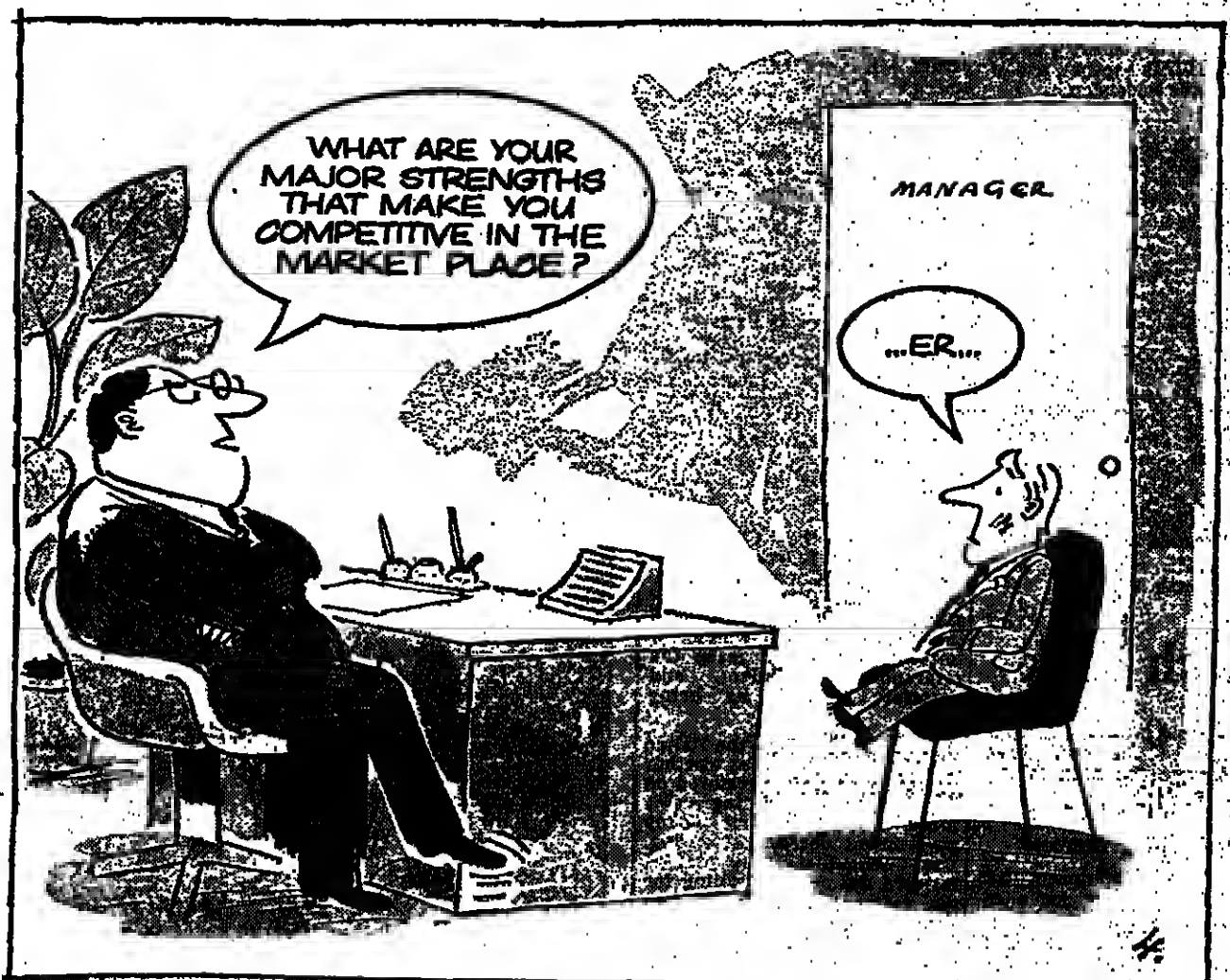
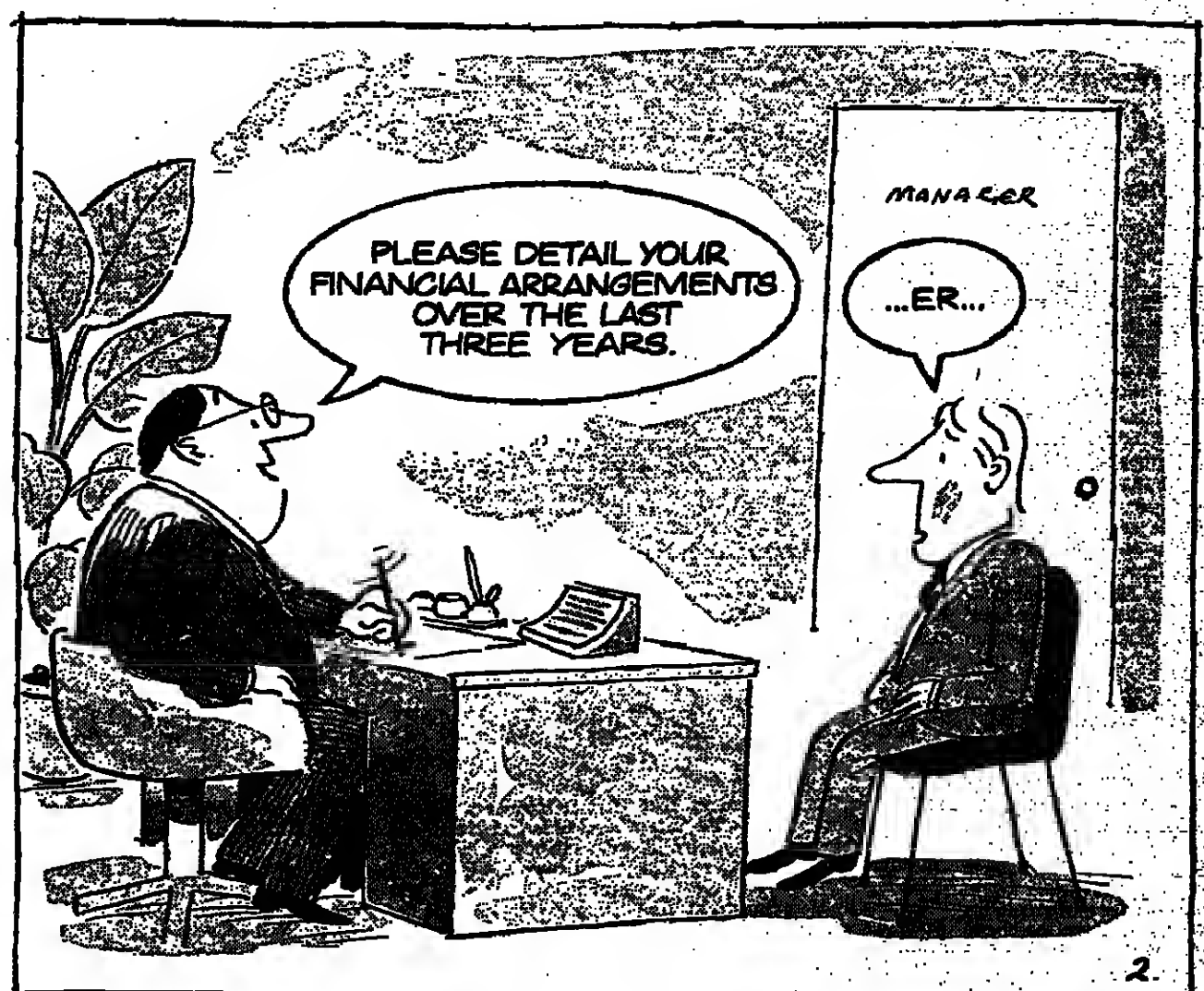
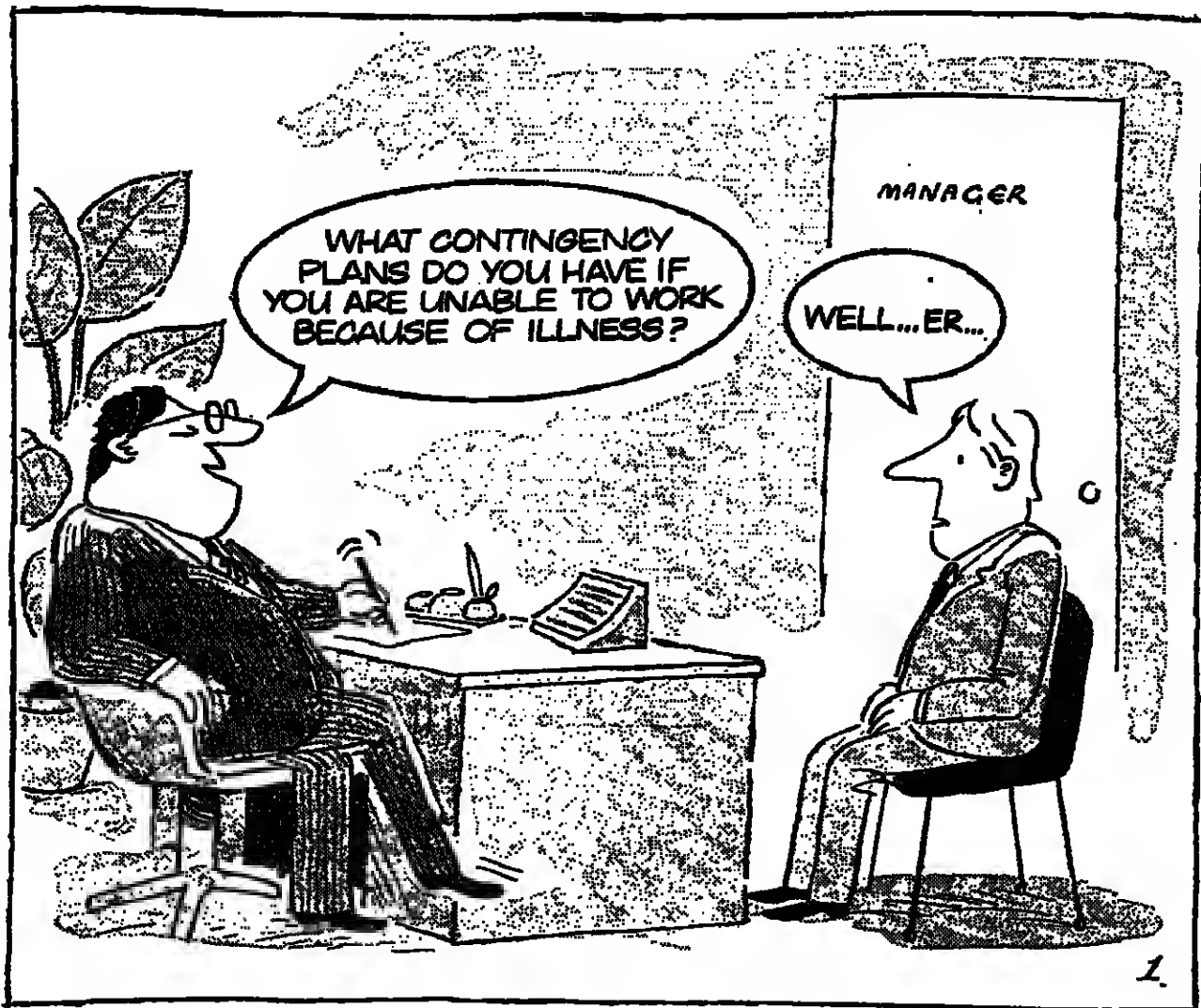
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Singapore heads for slowest growth rate for a decade

By Chris Sherwell in Singapore

SINGAPORE'S economy grew at an annual rate of only 3 per cent in the first quarter of this year, and economists say the normally vibrant island state is headed for its slowest growth in a decade this year.

Figures for gross domestic product published yesterday in the Ministry of Trade and Industry's quarterly economic survey, confirm the dramatic slowdown seen in the economy in recent months. The 3 per cent first quarter figure compares with 10.1 per cent in the same period last year. Overall real growth in 1984 was 8.2 per cent.

The survey blames the slowdown on unexpectedly low U.S. growth, which weakened external demand, and a slowdown in construction activities at home. It expects a stimulus later from a U.S. rebound in the second half.

But independent economists predict that Singapore will face difficulty exceeding 5 per cent growth this year, the lower end of recent official forecasts, notably from Prime Minister Lee Kuan Yew just three weeks ago. The last time growth fell below 6 per cent was 1975, when gross domestic product rose 4.1 per cent.

An official survey of business expectations published this week also shows that industrialists, bankers, traders and businessmen expect conditions to remain sluggish, with no immediate prospects of a significant improvement in demand.

Yesterday's figures indicate that the worst affected sector apart from construction was manufacturing, which contracted 2.4 per cent as a result of sharply lower oil refinery production, reduced machinery output and a decline in shipyard activity. In construction, a mainstay of the economy, the value of contracts awarded fell almost 60 per cent.

The brightest sector was tourism, with a 6.6 per cent increase in arrivals compared to the first quarter last year, but hotel occupancy rates fell further as more new hotels came onstream. Visible trade slowed down, with exports up only 3.4 per cent.

The financial sector recorded a 5.8 per cent increase. The impact of the slowdown was reflected in an unusual place for Singapore — the employment exchange.

The number of registered persons (7,587) represented a rise of 1.5 per cent, but the survey describes the shrinkage of employment in the construction sector as "massive."

The Government is to pay Planters' subsidy claims of P600m (£286m) over a six-month period.

As a trade-off for Mr Virata's personal involvement in the rehabilitation programme, the foreign banks backed down from an earlier demand that Planters' debts be assumed by the Government.

Philippines agrees deal over debts of Planters

By Samuel Senore in Manila

THE PHILIPPINE Government and a group of foreign banks reached a satisfactory agreement on the rehabilitation of debt-ridden Planters Products during the weekend, paving the way for the scheduled signing yesterday in New York of the \$100m (£70.9m) debt restructuring package for the Philippines, banking officials confirmed.

Documents covering government assurance on the rehabilitation of Planters, the country's leading fertiliser company, were finalised last Saturday by Prime Minister Cesar Virata and foreign banks led by Manufacturers Hanover Trust.

Under the agreement, which eliminated the last obstacle to the rescheduling, Mr Virata personally guaranteed the Government's contribution to Planters' rehabilitation.

The Government is to pay Planters' subsidy claims of P600m (£286m) over a six-month period.

As a trade-off for Mr Virata's personal involvement in the rehabilitation programme, the foreign banks backed down from an earlier demand that Planters' debts be assumed by the Government.

India set to strengthen Soviet links

By John Elliott in New Delhi

INDIA'S long-standing friendship with the Soviet Union will be reinforced this week with agreements on trade and other links to carry the two countries together into the next century. Mr Rajiv Gandhi, Indian Prime Minister, arrives in Moscow today at the start of a six-day visit which will be followed next month by visits to the U.S., France, and other Western countries.

This will launch him on to the international scene at the start of his premiership of India, which is the leader of the non-aligned movement and a major regional power in Asia. Both Mr Nikolai Gorbachev in Moscow and Mr Ronald Reagan in Washington will vie with each other to extend friendship.

But Mr Gandhi is in no doubt about which is his true friend. In a recent interview he said: "With the USSR we have had

a very strong friendship. They helped us in building our industries and they have stood by us at times of need. So we appreciate that. The U.S. has let us down on a number of occasions — 1971 Bangladesh war, 1965 Pakistan, and on one or two defence items where we spent a very long time talking to them and ultimately they put conditions that were just not acceptable to us."

After more than a year's haggling and just four days before Mr Gandhi left for Moscow, the U.S. last Friday signed an implementation agreement on a memorandum of understanding for sales of computers and other high technology equipment to India.

But Mr Malcolm Baldrige, U.S. Commerce Secretary, made it clear after the signing ceremony that the U.S. is still concerned about leakage of its

technology secrets through India to the Soviet Union, especially after the uncovering recently of a Delhi spy ring which supplied official Indian documents to France and East European countries.

Nevertheless, contracts for the sale of 19 U.S. computers worth about \$11m, are likely to be signed soon after months of delays. Following the approval of the implementation agreement, Now the U.S. is offering to announce when Mr Gandhi is in Washington that the two countries will negotiate a similar memorandum on defence sales.

Talks are already in progress on this informally and on the sale of Hercules aircraft and other defence equipment. But India is wary of buying equipment from the U.S. because

of the main equipment or spares might be cut off some time in the future.

There are no such stumbling blocks to dealings with the Soviet Union. India realises that it is often only getting second-rate or out-of-date equipment, albeit on extremely favourable financial terms. It regards this as a useful addition to its more modern Western-based projects.

In Moscow Mr Gandhi will sign a long-term agreement to the year 2000 on economic co-operation with a \$12.5m long-term credit arrangement for use in areas such as electric power, alternative energy, coal mining and heavy machinery, and steel.

Talks are also continuing on the Soviet Union possibly supplying a nuclear power station and on major defence sales.

These trade deals and a basic trust between the two countries will make Mr Gandhi's visit a warm and happy occasion.

S. African banks cut prime lending rate

By Jim Jones in Johannesburg

SOUTH AFRICA'S leading commercial banks are to cut their prime overdraft lending rate by one percentage point to 23 per cent, the second reduction since the start of May. The reduction, which will be implemented next week, follows a one percentage point reduction in the Reserve Bank's rediscount rates, the rates charged the commercial banks.

High interest rates were implemented by the Reserve Bank last August as part of a package of austerity measures designed to cut consumer spending and thereby reduce the country's relatively high inflation rate. At that stage prime overdraft lending rates rose sharply to 25 per cent and, apart from a brief period when the Reserve Bank orchestrated a reduction which coincided with critical by-elections in November, remained at that level until the first week in May.

Dr Gerhard De Kock, the governor of the Reserve Bank, said yesterday that the restrictive monetary policy had had "favourable results" on the economy. He added that the economy had cooled in the first quarter of this year, that gross domestic expenditure had continued to decline, that excess demand appeared to have been eliminated.

Amal in bloody showdown with Palestinians

By Richard Johns in Beirut

THE mainstream Shi'ite militia, Amal, was yesterday engaged in a bloody showdown with Palestinian fighters in the refugee camps of Chatila, Sabra and Bourj el Barajneh in the southern outskirts of the Lebanese capital. At least 17 people have died and over 150 wounded in the day-long clashes.

The fighting came as a surprising diversion to the heavy nightly exchanges between Muslim militias in West Beirut and the Christian "Lebanese Forces" in East Beirut which have continued for over three weeks.

The power struggle in the western sector seriously disrupted civil aviation operations. The fighting involved heavy exchanges of mortar, anti-tank, and rocket-propelled grenade fire and closed the main road to the international airport.

The showdown between Amal, the predominant Muslim militia in west Beirut and the south of Lebanon not yet vacated by Israeli occupying troops was triggered off by a minor incident in the middle of the night.

Shooting started after an Amal patrol had tried to disarm a young Palestinian on the

perimeter of the Sabra camp.

The fighting underlined Amal's determination to keep the resurgent Palestinian movement in the country under control.

Amal is anxious to restrain the Palestinians from hostilities against Israel both during and after the final withdrawal of Israeli troops from south Lebanon scheduled for completion by the end of May.

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Kaunda's cure fails to stop the economic rot

By Patti Waldmeir, recently in Lusaka

"THE IMF does not care whether you are suffering from economic malaria, bilharzia or broken legs, they will always give you quinine."

Despite the undercurrent of resentment in this rural community, President Kenneth Kaunda—a resentment shared by many in Africa where International Monetary Fund economic prescriptions are often vocally and sometimes violently opposed—there can be little doubt that over most of the past three years, Zambia has been taking the quinine.

The country is one of a handful of potentially-rich African nations such as Ghana, Uganda and Zaire which have recently been forced to test the path of IMF orthodoxy or face gradual economic collapse.

Since 1982, Zambia has undertaken an IMF-sponsored programme of economic reforms which has earned high praise from the West and made the country the focus of a major international rescue effort.

President Kaunda has substantially altered the socialist character of the Zambian economy since independence in 1964, doing what amounts to an economic volte-face: he has decontrolled virtually all wholesale and retail prices and slashed government subsidies while allowing wages to fall sharply in real terms.

In the face of resistance from the old guard of his own United National Independence Party (the country's only legal political party) the President has reversed many key policies of the first 20 years of independence: policies which he acknowledged, in a remarkably candid speech last July, had been "defeatist of the objectives of protecting the people from economic hardships."

In the past few months, however, Zambia, and its international backers have been forced to face the fact that the cure administered so far has simply failed to stop the rot.

The acute balance of payments problems of recent years have reached crisis proportions as production of copper, which earns 90 per cent of Zambia's foreign exchange, continued to fall (last year's production of about 520,000 tonnes was some 50,000 tonnes short of the Government's target).

Shortages of imported tyres and vehicle spare parts are crippling road transport, while the railways struggle with too few locomotives and wagons.

The mining industry also complains that shortages of inputs are seriously constraining its production, despite the fact that the mines already retain 25 per cent of their foreign exchange earnings to pay for imports, and perhaps consume a further 20 to 25 per cent in imported fuel and inputs for mining support industries.

In the past few years, the Government has been reduced to a kind of hand-to-mouth existence with regard to external payments. Deliveries of crude oil to the country's Ndola refinery were suspended late last month when accumulated arrears on Zambia's revolving oil credit facility with a consortium led by Bank of America exceeded \$30m (£23.8m), the bank's cut off point for providing new finance.

At about the same time, the Bank of Zambia missed a crucial \$7m repayment to the IMF. The Fund takes a serious

view of arrears and Zambia cannot hope to resume drawings (currently suspended) on its SDR 225m (£286m) standby facility with the Fund until the repayment has been made.

Now IMF pressure is on Zambia to adopt a more radical approach to economic reform. This will mean in practice either a large devaluation of the kwacha (of a minimum 50 per cent initially with further large adjustments to follow), or the adoption of a limited auction system for allocating foreign exchange. This method would have the same aim of establishing a more realistic rate for the kwacha (K2.5 to the pound), which now trades at one quarter its official value on the black market.

IMF officials recently spent two weeks in Lusaka discussing exchange rate reform with the Government, and they are believed to have left with an

agreement in principle for a more "active approach" to exchange rate adjustment but without solving the crucial question of exactly how devaluation is to be tackled. Insiders believe some form of auction system will eventually be chosen.

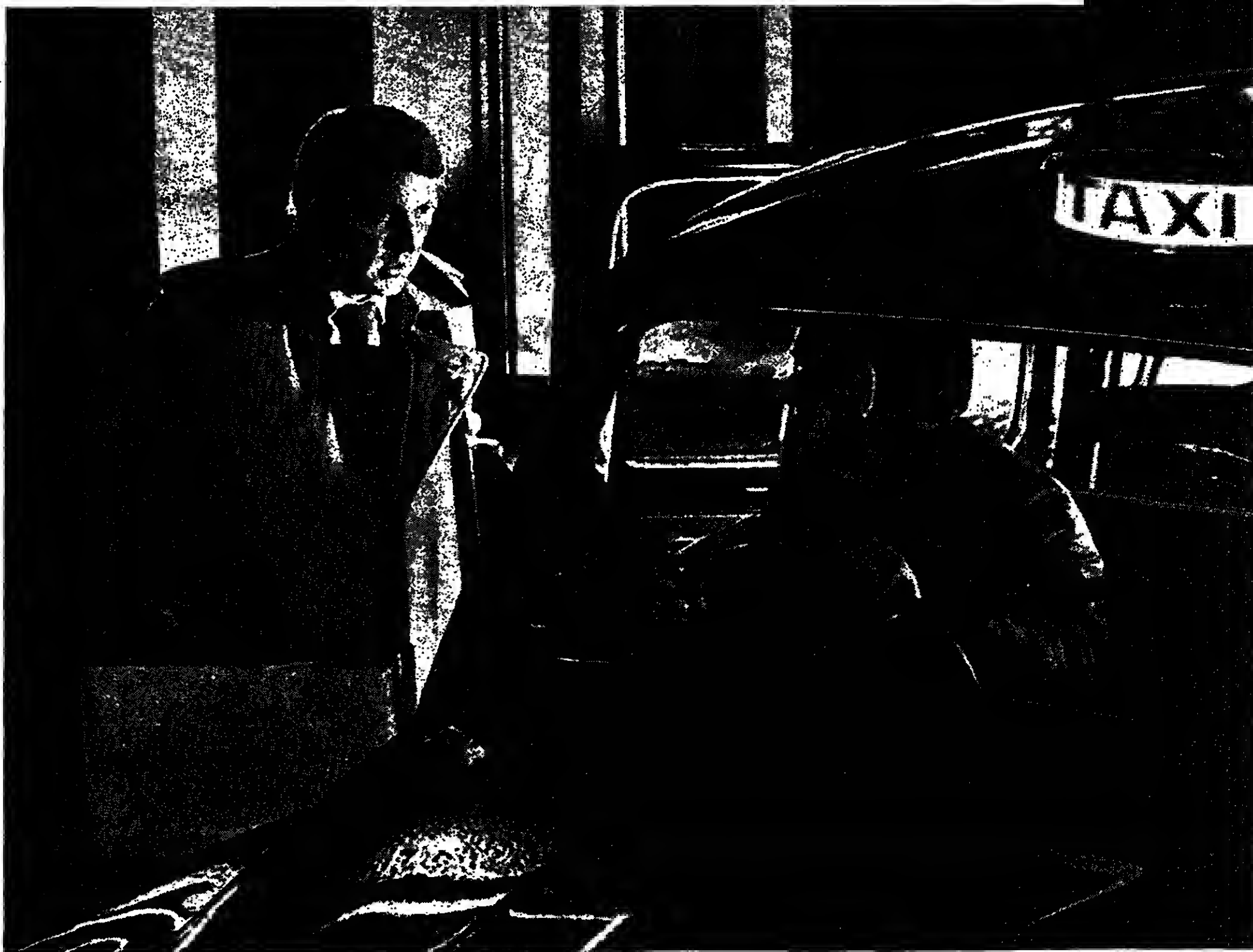
The delay could have serious implications for external payments. Zambia will be unable to resume drawings under its SDR 225m standby programme with the IMF (in virtual suspension since early this year) until formal agreement is reached on this issue. The absence of the IMF's stamp of approval on Zambia's economic programme could jeopardise the outcome of a planned consultative group meeting of Western donors set for early next month in Paris.

The political implications of a major exchange rate adjustment are clearly preoccupying Zambia's leadership. Either devaluation or an auction system would have a serious impact on living standards which have already declined sharply in recent years.

Zambian officials appear to have accepted that in order to stabilise the balance of payments in the medium to long term, non-traditional exports must be stimulated through devaluation. Copper exports will decline sharply by the year 2000 as ore reserves are exhausted, and the estimated K600m-£700m "pipeline" of unremitted profits dividends and trade payments must be cleared to restore investor confidence.

It seems unlikely that either measure will lead to a dramatic improvement in the politically-important short term and Zambia would appear to have little alternative but to depend on concessional flows from the West to bridge the gap.

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AMERICAN NEWS

U.S. begins broadcasting radio service to Cuba

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

RELATIONS between the U.S. and Cuba, which have recently shown signs of tentative improvement, suffered a sharp setback yesterday after the U.S. began beaming a controversial Spanish-language radio service to the island.

The first news item broadcast from Florida by Radio Marti at 5.30 am yesterday was an account of the Cuban Government's angry retaliatory measures to the service's introduction. Named after the revered 19th century Cuban poet and independence fighter, Jose Martí, the station is intended to provide Cuban listeners with an American angle on U.S., Cuban and world affairs.

Protesting at the station's activities as an insult to the Cuban people, Havana suspended an immigration agreement concluded by the two countries in December. It warned that relations with Washington "would be more difficult for a long time."

It said that all visits to the island by Cuban-Americans would be halted immediately,

except for those "on strictly humanitarian grounds" and warned that Cuba would adopt "additional measures relating to communications between the two countries."

The immigration agreement, the most significant development in U.S.-Cuban relations since the Reagan Administration took office in 1981, provided for the U.S. to send 2,700 "undesirables" back to Cuba and receive up to 3,000 Cuban political prisoners in return.

The "undesirables" are alleged criminals and mental patients detained in the U.S., most of whom left Cuba in the Mariel boat-lift in 1980. While the "undesirables" started returning to Cuba in February, the first planeload of Cuban political prisoners arrived in the U.S. only yesterday.

Mr Larry Speakes, the White House spokesman, yesterday said that the Cuban reaction

"speaks volumes." By suspending the immigration agreement, and reportedly also a high-jacking agreement, Cuba was "aligning itself with criminals," he suggested. The purpose of the Radio Marti was to provide "an accurate balanced news report," he added.

The radio station, however, has been controversial in the U.S. ever since plans for its creation were announced in 1981—with American liberals and many Latin American experts regarding it as likely to be excessively right-wing and unnecessarily provocative.

U.S. commercial radio stations have been concerned that Cuba will retaliate by jamming their own regular English-language broadcasts.

Cuba yesterday also threatened to start a battle of the airwaves by launching its own radio broadcasts to the U.S. Radio Marti is broadcasting a mixture of news, interviews, music and soap operas for 14 hours a day. Its first hour yesterday featured U.S. and international news, interspersed with anti-Castro commentary

Cuomo unveils S. Africa measures

By William Hall in New York

GOVERNOR Mario Cuomo of New York, a rising star in the Democratic Party, has unveiled a comprehensive attack on South Africa's apartheid regime involving the sale of billions of dollars of state investments over the next five years.

Governor Cuomo issued a 10-page policy statement over the weekend outlining his plans. These include proposed legislation forcing state pension funds to divest shares in companies linked with South Africa, and the creation of a state commission on South African investment which will monitor the disengagement programme.

He said he had concluded the New York state should adopt a "comprehensive and responsible strategy to demonstrate the abhorrence of our residents to this pernicious system of apartheid."

Last January in his state message, Governor Cuomo said that state funds must not be used to support the system and since then he has been working on proposals to implement his ideas.

Several New York city and state pension funds have already moved to divest themselves of their holdings in South African related shares but Governor Cuomo's initiative is one of the strongest attacks to date by a prominent U.S. political figure.

Governor Cuomo plans to introduce legislation shortly which will oblige the State Comptroller and the trustees of the pension funds to divest holdings in a series of steps.

By 1986 the state will begin to sell its holdings in companies doing business directly with the Government of South Africa, and with any of the 210 U.S. companies that employ black South Africans but have not signed the Sullivan code of conduct. The code lays down certain standards which U.S. companies in South Africa are expected to meet. The divestiture will escalate over the following years so that by 1990 the state will be obliged to sell its holdings in any company that does business in South Africa.

Latin Americans seek debt dialogue

BY HUGH O'SHAUGHNESSY IN LONDON AND JIMMY BURNS IN BUENOS AIRES

THE BONN summit of industrialised countries has come and gone, and many Latin American governments are nursing a grievance. They feel that the social and political problems resulting from their massive indebtedness of \$360bn—falling health standards, increasing malnutrition and instability—were not treated seriously enough in the West German capital. They are pondering what new steps can be taken.

Eleven Latin American heads of state signed a joint letter to the summiters calling for a political dialogue on debt problems which was deliberately couched in moderate language. The responses to it, they feel, was disappointing.

Many Latin Americans felt it would be as the leaders of the creditor nations were gathering in Bonn, economic experts met in the Santiago Chile headquarters of the UN Economic Commission for Latin America and the Caribbean (Eclac) to map out the region's immediate strategies. Eclac officials have already prepared and published academic papers on the desirability of otherwise establishing a "debtors' club," of declaring moratoriums on debt payments, and the costs involved if such moratoriums were to be declared.

The Eclac experts in their formal conclusions limited themselves to commenting: "Since the system of international economic relations operated on the basis of power, it was felt that it would be necessary for the region to take the essential steps to organise and jointly exert its bargaining power at the international level with a view to defending its sovereignty and interests more effectively."

Latin American debtor countries. Now is government, he is ad hoc secretary of the group.

Sr Iglesias, in an interview in Montevideo, said: "There has been complacency in the North that the crisis is over and that nothing more needs to be done. I think it is my responsibility to issue a warning that this is not true and that we are vulnerable to unexpected events which could be damaging to the world financial system."

"Last year Latin America's

performance apparently improved thanks to the U.S. trade deficit: this year the situation has been deteriorating. Interest rates have not dropped and the capacity of the region to export has been reduced."

Over the next few months, the Cartagena group will continue to press for their creditors to agree that the Latin American economies must be allowed not merely to stagnate as they wrestle with their debt

problems but to grow—with the aid of new money.

The tone of exchanges between Latin America and its creditors will be set to a large extent by the degree of understanding that the Alfonsín government in Argentina and the Sarney administration in Brazil will establish with the International Monetary Fund. The omens are not good. Earlier this year the IMF blocked a \$400m (\$317.4) disbursement to Brazil and has yet to agree a \$1,420m standby loan to Argentina. Brazil and Argentina together owe some \$150bn to foreign creditors.

No one has forgotten that Peru will soon have a new President, Sr Alan García. He has repeatedly insisted that Peru, which is already \$500m in arrears with creditors, will not pay out more than 20 per cent of its export earnings on the service of Peru's foreign debt of \$14bn. Senior bankers confidently predict a rapid confrontation between Sr García and Peru's creditors later this year.

The dialogue between Latin America and the banks could turn acrimonious later this year.

Delayed tax refunds boost U.S. incomes

By Nancy Dunne in Washington

U.S. after-tax personal income jumped 2.9 per cent in April, the largest gain on record, thanks to a surge of Internal Revenue refunds which had been delayed by computer troubles, the Commerce Department said yesterday.

Disposable income had declined 0.4 per cent in March and 0.7 per cent in February as a result of the IRS problem, but tax officials say the computer troubles have now been remedied.

Personal income grew 0.6 per cent in April and spending rose 0.7 per cent after a 0.2 per cent drop in March.

Mr Robert Ortner, the chief economist of the Commerce Department, said the growth in consumer spending is helping to sustain a modest economic expansion along with a healthy housing industry and outlays by the Government for military hardware.

Pentagon under fire over unplanned defence savings

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

A FRESH controversy over U.S. defence spending erupted yesterday after a leading Congressman claimed the Pentagon had enjoyed windfall benefits of anything from \$18m (\$14.4m) to \$500m over the last four years, thanks to exaggerated inflation estimates.

Mr Les Aspin, Democratic chairman of the House armed services committee, said that while he was not suggesting any wrongdoing, the funds constitute an "unplanned" and "secret" dividend for the Pentagon. The money had been absorbed into a "trackless tangle of vast and vanishing funds," he said.

The Pentagon, however, was quick to challenge Mr Aspin's allegations. It said the savings, claiming they were a "remarkable achievement," due largely to good management and increased competition for defence contracts.

The issue is particularly sensitive as the House is today to start debating a proposal from its budget committee to freeze defence spending next year. The Administration strongly opposes the proposal.

Mr Aspin charged that by over-estimating inflation rates, the Pentagon had persuaded Congress to authorise more money each year than it needed. Mr Casper Weinberger, the Defence Secretary, responded that as a result of the savings, "we're getting a lot better defence for the price." As for the surplus money, "we give it back and ask that it be applied to next year," he said.

Congressional aides said that while very little unspent money is actually returned to the Treasury, Congress is sometimes able to reduce future military appropriations once it calculates the amounts saved by lower-than-expected inflation rates.

El Salvador peace talks stalled

BY DAVID GARDNER IN MEXICO CITY

PROSPECTS FOR third round of talks to end El Salvador's five-year civil war between the U.S.-backed Government of President Jose Napoleon Duarte and the rebel Farabundo Martí Liberation Front (FMLA) are dimming.

President Duarte, now on a 10-day visit to the U.S., said over the weekend that he was prepared to talk peace with the rebels anywhere, "in El Salvador, the U.S. or China."

In practice, however, neither side has been able to agree to the other's proposals, six months after the second round of talks. The FMLA broke up leaving the warring parties as far apart as when they began.

Sr Duarte's Christian Democratic Administration is proposing a series of private talks to work out a preliminary basis of agreement prior to any public meeting. The Christian Democrats have also been insisting that Sr Jose Villalobos, the most

powerful and politically maverick of the insurgent commanders, whose People's Revolutionary Army (ERP) was not present at either of last year's encounters, attends the talks.

If Sr Villalobos agrees, Costa Rica is a possible venue for the meeting.

The rebels for their part have called for a high level meeting on June 15 in Peru, in the ERP stronghold of Morazan in north east El Salvador.

This round would be preceded by a private and preparatory meeting of the joint Government-insurgent commission set up at Ayacucho, which though it has been in separate negotiations since the examination of all peace proposals.

Dr Guillermo Ungo, the senior insurgent leader, said in an interview with the FT here that Sr Duarte "should say publicly whether he abides by what was agreed" at Ayacucho.

Asked whether Sr Villalobos would be present at a third round, Dr Ungo said "draw your own conclusions," the

senior insurgent leader, said in an interview with the FT here that Sr Duarte "should say publicly whether he abides by what was agreed" at Ayacucho.

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Trinidad and Tobago GDP falls by 7.4%

By Carole James in Trinidad

THIS deterioration in the economy of Trinidad and Tobago, which started with the softening of the oil market four years ago, continued last year with gross domestic product falling by 7.4 per cent, according to the annual report of the central bank.

This followed a decline of 5.2 per cent in 1983 and has, come with rapid erosion of the country's once healthy foreign reserves.

These fell to \$1.16bn (\$928m) at the end of December, meaning reserves stand at a third of what they were at the end of 1983.

The bank reports an improvement in the balance of payments last year with the deficit falling to \$700m against \$1,080m in 1983. An improvement was also recorded in the fiscal deficit which fell to \$511m from \$850,000 in 1983.

WORLD TRADE NEWS

Ford cancels order for BMW diesel engines

BY JOHN GRIFFITHS

FORD U.S. has effectively cancelled its order for car diesel engines from BMW. It is taking only 4,000 out of the 190,000 originally envisaged when an agreement was first signed between the two companies in 1982.

No value was placed on the contract at the time of signing, but a BMW spokesman said yesterday that Ford would pay a proportion of the agreed contract price.

The supply contract extended over several years, with the engines to be produced by BMW Motoren Gesellschaft, BMW's subsidiary based in Steyr, Austria.

Ford's move follows the virtual collapse of the diesel car market in the U.S. since 1980. In the immediate wake of the 1979 oil crisis, the U.S. industry began gearing itself for a major upsurge in diesel

car sales. However, problems with diesel cars launched by General Motors, the U.S. market leader, did much to undermine the diesel's appeal.

Subsequently, the eased pressure on oil prices has also moved U.S. car buyers away from fuel economy as a prime consideration of purchase.

Ford was to use the BMW engine in a variety of cars, as an alternative to investing in its own production facilities.

The loss of the Ford contract is a blow to BMW's Austrian operation, but not a severe one. The Steyr plant is used primarily to produce petrol engines, on which the diesel engine plant measures still intends to proceed with a programme to double output from the Steyr plant over the next four years, from the current 150,000.

Haggling holds up Danube power plans

By Patrick Blum in Vienna

AUSTRIA, Czechoslovakia and Hungary are locked in complicated endeavours to find agreement on building two interconnected hydroelectric power plants on the Danube in Czechoslovakia and Hungary, in a project which could cost up to \$1.15bn (\$949m).

Discussions on the project which have been going on for about four years between the three countries have become bogged down by haggling over who will benefit most, and on how it will be financed.

Czechoslovakia is eager to go ahead with the project and has started preparatory work at a site near Dobruška, where the Danube marks a natural border with Hungary.

The Hungarians, however, appear to be having second thoughts on grounds of costs and because of domestic environmental objections.

The Austrians, and more especially the Austrian building industry and electricity companies, are eager for the project to go ahead, following the now exceedingly uncertain fate for the construction of a power plant of their own at Hainburg near the Czechoslovak border.

The Verbundgesellschaft, the Austrian national electricity facility, is seeking to put together a financing package of \$600m towards a project in exchange for electricity from the Hungarians.

Austria's electricity needs have grown considerably in recent years as a result, electricity imports have increased sharply and so has Austria's dependence on East bloc energy supplies.

The three countries have not yet been able to agree on their level of participation in the project.

Herr Gunther Nenzing, a leading spokesman for the Austrian environmentalists and a former Socialist Party member, opposes the project and has recently been in contact with Hungarian and Czechoslovakian environmentalists to co-ordinate opposition.

Environmental groups from Bavaria—because of West German concerns over the Danube—from Austria, Hungary and Slovakia, are now co-ordinating their opposition to the project.

Top-level U.S.-Soviet trade talks start

BY PATRICK COCKBURN IN MOSCOW

THE HIGHEST-LEVEL meeting on trade between the U.S. and the Soviet Union since 1978 started yesterday in Moscow at the session of the Soviet-American Joint Commercial Commission.

The U.S. delegation is led by Mr Malcolm Baldrige, U.S. Secretary of Commerce. Although Mr Baldrige's visit indicates some thaw in discussion on bilateral trade, the two-day meeting of the joint commercial commission is unlikely to produce any breakthrough.

Mr Nikolai Patolichev, the Soviet Foreign Trade Minister, began the discussion by saying: "What we need is confidence that the signed contracts will be fulfilled in their entirety."

In an oblique reference to the U.S. embargo on high-technology exports to the Soviet Union, Mr Patolichev said that "U.S. businessmen should bear in mind here that the Soviet Union has no intention of buying equipment and processes

which are not up to present-day standards."

Last year, U.S. exports to the Soviet Union, mostly of grain, were worth only \$3.5bn (\$2.7bn) and imports \$300m.

Mr Patolichev added that the limited trade between the two superpowers, comprising primarily the purchase of U.S. grain and animal feedstuffs and the sale of Soviet oil products, does "not accord with the potentialities of the two countries."

He said this was largely because the Soviet Union was "not favourably viewed" in the U.S. status in the U.S.

West European and Japanese companies are showing heightened interest in the potential of the Soviet market because the latest five-year plan for 1984-88 will be published.

In contrast to previous policy, Moscow has signed a number of turnkey contracts with foreign companies over the past year. The aim is to remedy the

shortage of certain items by the speedy completion of plant and to alleviate the strain on Soviet resources, including manpower, by making sure the contracts are turned over in separate negotiations later this week.

The emphasis which President Reagan's Administration has given to the limitation of high-technology exports to the Soviet Union probably ensures that U.S. companies will win few significant contracts from Moscow in the foreseeable future.

Even if political relations between the superpowers improve the Soviet Union would still be chary of awarding contracts which might not be completed.

The Soviet Union denies that these controls hurt them. An article in the daily Socialist Industry last Friday denounced the prohibition as "absurd."

Claiming that "a fifth of all patents on new technology and equipment" are taken out by the Soviet Union or its allies.

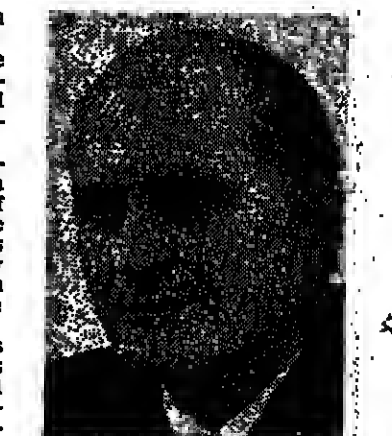
Grain sales by the U.S. to the Soviet Union are not being discussed by Mr Baldrige and will be handled in separate negotiations later this week.

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Mr Malcolm Baldrige

The newspaper says that the prohibited list of the Co-ordinating Committee for Export Controls (Cocoms) to the Eastern bloc now includes about "half the goods in circulation in the world market."

'Anti-protectionist battle must be fought with zeal'

BY CHRISTIAN TYLER, TRADE EDITOR, IN SAINT GALLEN, SWITZERLAND

THE BATTLE against trade protectionism led to be fought with "the same missionary zeal" as the battle against inflation, Dr Fritz Leutwiler, former president of the Bank for International Settlements, told a conference of businessmen in St Gallen, Switzerland, yesterday.

Dr Leutwiler, as chairman of the independent group of businessmen and academics which reported recently on the future of the world's trading system for the General Agreement on Tariffs and Trade, upbraided political leaders for their lack of action in tackling the problem. "I would have expected more courage and initiative from the Bonn summit," he said.

The situation would really change when the pressure of consumers and taxpayers on politicians became irresistible. With a public informed about the true costs of protectionism in terms of jobs lost and higher prices paid, the battle against

such defensive measures could still be won.

A precondition of mobilising public opinion was to make trade policy measures transparent, Dr Leutwiler said.

Mr Arthur Dunkel, director-general of Gatt, told the conference, organised by the Saint Gallen graduate school, that progress towards trade liberalisation was "agonisingly slow."

Mr Dunkel criticised publicity given to the failure of the Bonn summit leaders to agree on a starting date for new trade negotiations in the Gatt. He pointed to the fact that there was consensus for talks among all industrialised country members of the Gatt. "Great efforts" were being made however, to enlist developing country support.

The director-general warned against a growing tendency, especially in the U.S., to seek bilateral trade agreements between nations.

Italy relaxes rules on export finance

By James Buxton in Rome

THE ITALIAN Government is making significant relaxations in the foreign exchange regulations which restrict companies from borrowing in foreign currency to finance exports, and is simplifying the elaborate foreign exchange procedures that bedevil export and import transactions with Italy.

The Ministerial decree, issued at the weekend by Sig Nicola Capria, Minister of Foreign Trade, and subject to Treasury Ministry approval, makes a further step in the liberalisation of the Italian foreign exchange regulations. It received a cautious welcome from exporters yesterday.

The decree allows Italian residents to borrow in EEC countries up to a value of £500m (\$802,000) for an unlimited period and without prior authorisation.

For operations of a minimum of two years and with official authorisation, the maximum borrowable in EEC countries is now to be £3bn.

The decree also permits a sharp speeding-up of procedures for import and export transactions.

EUROPEAN COMMERCIAL VEHICLES Bid to rebuild profit margins

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

A NEW emphasis towards rebuilding profit margins rather than on vigorous price competition for sales is taking hold within the European commercial vehicle industry, DRI Europe says in its latest trends forecast report.

But pricing will remain keen, because the burden of excess capacity in European plants will continue to overshadow the industry. There will be very little let-up in the struggle for market share in the European markets, it maintains.

"Takeovers, plant closures, joint ventures to share the costs of major components are set to continue as persistent financial losses force the pace of structural change."

DRI also points out that the Japanese, so far not very heavily involved in the medium and heavy-sector of the truck market, are showing a growing interest.

At the Brussels Show in January, Toyota, Mazda and Isuzu exhibited trucks in the six-tonnes range, and Hino medium rigid trucks in the 10 to 15 tonnes class.

This is a development that augurs increasing competition in 'neutral' countries, such as Belgium itself, even if the

MEDIUM/HEAVY EUROPEAN TRUCK PRODUCTION (000's)

	1980	1981	1982	1983	1984	1985
Germany	198.9	181.1	129.8	133.7	147.2	158.9
France	61.3	40.3	35.4	34.8	40.2	41.0
UK	104.5	50.4	50.9	52.8	52.3	51.9
Italy	42.2	39.4	47.6	42.1	38.6	35.4
Spain	22.7	14.0	17.4	17.6	21.2	22.6
Sweden	53.1	55.0	54.0	57.9	61.2	69.3
Netherlands	15.9	12.4	12.3	12.8	13.5	14.0
TOTAL	484.5	331.5	349.0	363.3	388.4	414.2

Source: DRI Europe

Japanese presence in this weight range is currently slight. "Although the six tonnes sector is seen as the most likely candidate for greater Japanese penetration in the near term, Mitsubishi (which has assembly operations in Portugal and Holland) and Hino (which recently came close to a joint production deal with Britain's ERF) are clearly concerned to maintain a European profile at higher weights," the report states.

The 175-page report covers demand and production of trucks by gross vehicle weight sector for 11 European markets up to 1995.

It predicts that during that period, Daimler-Benz, the Mercedes group of West Germany, will increase its penetration of the over-6 tonnes sector in

Europe from 23.7 per cent this year to 28.7 per cent in 1995. The two Swedish heavy truck producers, Volvo and Scania, are also forecast to improve their market shares. Volvo from 8.8 per cent this year to 9.8 per cent and Scania from 5.9 per cent to 6.5 per cent.

UK-based producers, Leyland, Ford and General Motors-Bedford, are among the companies DRI expects to lose their market share.

However, Ford is predicted to make major headway in the sector for commercial vehicles up to 6-tonnes.

The other major "winner" in the sector during that time is forecast to be Motor Iberica. The DRI European Trucks Service Forecast Report from 20, Old Queens St, London SW1H 9EP, price: \$900

HK group in China joint food venture

By David Dodwell in Hong Kong

DAIRY FARM, the retailing and food distribution arm of the Hongkong Land Group, yesterday agreed a Renminbi Yuan 50m (\$14.2m) equity joint venture in Guangdong intended to develop China's food processing industries.

The new joint venture company, the International Food Corporation (IFCO), will be 70 per cent owned by Dairy Farm (Guangdong), with the remaining 30 per cent held by the Guangdong Food Industry Technical Development Corporation.

Under a 30-year contract, Dairy Farm has agreed to provide management expertise and new techniques and technology in ventures ranging from the processing of meat, vegetables and fruit to the manufacture of biscuits, sweets, drinks and ice-cream.

Much of the output is intended for export, using Dairy Farm's distribution networks in Hong Kong, Singapore and Australia.

Dairy Farm already relies heavily on Guangdong Province as a supplier of fresh foods for its retail and wholesale outlets throughout Hong Kong. This ranges from eggs, fresh milk, rice, fruit and vegetables to general household goods.

DAVID FIELDEN, DIRECTOR OF QUALITY, JAGUAR CARS



"During the build process, the car passes through 44 major checks before it is finally passed for sale.

This calls for eye and experience, and painstaking attention to detail.

Not unnaturally, it takes time, but it's the best way there is to ensure quality, which in turn ensures success.

And at Jaguar Cars our demand for both is absolute.

You could say it has become an attitude of mind. One that involves everybody. From every one of the people who build the cars, to every one of our suppliers. From foreman to top-management.

It means that our cars are not just checked out at the end of the assembly line, they're checked throughout every part of the manufacturing process.

Every component is tested during development and tested again during production.

We test through thousands of hours of continuous usage: way beyond the normal life span of component or car.

We use specially constructed rigs to test the performance and endurance of everything from power steering gear to electric aials. From eliminating the squeaks from an ashtray, to ensuring brake efficiency from maximum speed.

We have more cars on environmental test in more places than ever before. In extremes of climate and in the most extreme of conditions.

From temperatures as high as plus 52°C in the deserts of the Middle East, to minus 40°C below freezing in the arctic conditions of northern-most Canada.

A Jaguar must be able to undertake the hottest, coldest, fastest, roughest tests that can be devised by man for machine and overcome them.

A Jaguar must be able to run anywhere in the world,
and perform to the levels of engineering excellence for which it
is famed.

This is why, every month, we interview more than 100 Jaguar drivers from the UK and from as far afield as Australia and the USA. We ask for their comments, note them, and act upon them.

Our 'customer tracking' research is one of the most important sources of information about our customers, our products, about Jaguar and our dealer network worldwide.

This feedback is more immediate than any service information. And it enables us and our dealers to get back quickly to a customer, when necessary, to satisfy him completely.

This is not only good customer relations, it's good business sense. It allows us to monitor improvements and helps us get our cars right.

It means, too, that we can ensure that Jaguar owners everywhere continue to relax in the quiet ambience of walnut and leather.

Then, and only then, are we prepared to call a Jaguar a Jaguar."



JAGUAR The legend grows
JAGUAR CARS LIMITED, ENGLAND.

UK NEWS

Underwriters told Minet losses could rise sharply

BY JOHN MOORE, CITY CORRESPONDENT

INSURANCE underwriting losses of £130m which have fallen on a group of 1,525 Lloyd's of London underwriting members could rise significantly.

Underwriting members of Lloyd's, whose affairs are managed by Richard Beckett Underwriting Agencies, part of Minet Holdings, the insurance broker, now fear that other substantial losses may arise in the future.

Accountants Price Waterhouse are carrying out a special investigation on behalf of a steering group of underwriting members in an effort to find out the reason behind the losses, one of the worst trading problems to emerge in Lloyd's recent history.

The Richard Beckett agency has told the members that they will have to be prepared to find £30m from their own resources in order to find £130m which are expected to fall on underwriting syndicates, in which the members are grouped, over the next few years.

The agency has made various assumptions that the interest earned on the £30m of funds will be sufficient to meet the expected £130m of losses. Accountants and underwriting

members are now worried that unless the assumptions are correct they could have to pay more into the funds. They argue that:

● If interest rates fall further funds will be needed.

● Much of the insurance business which produced the losses came from the U.S. Adverse currency movements could swell the amount of insurance claims.

● The programme of protection, in the form of reinsurance arrangements, has already been described as "inadequate" by the agency. If existing reinsurers do not pay up on claims made against them by the underwriting members, then the claims will have to be funded from the members' own resources.

So far the indicated funding requirements of £50m and the indicated future losses of £130m have made allowance for future reinsurance recoveries. Underwriting members are angry that part of the reinsurance protection arranged for them was cancelled when the agency recovered £40m of funds allegedly misappropriated from the members' money. Part of the reinsurance programme has not been replaced.

CAA will retain top regulatory function

By Michael Donne, Aerospace Correspondent

THE CIVIL Aviation Authority (CAA) is to retain its position as the principal aviation regulatory body in the UK, but will be able to call on the Office of Fair Trading (OFT) for support in examining complaints of anti-competitive trading by individual airlines.

The two bodies will work closely together in determining whether individual airline applications for route licences involve anti-competitive behaviour, or where complaints of such behaviour are made to the CAA.

Where the CAA believes that its existing powers are either inadequate or inappropriate, it can call on the OFT for further investigation.

This broad procedure has been agreed after the Government's White Paper (policy document) on airline competition policy last year in which it was revealed that the Director General of Fair Trading would be required to support the CAA more closely, where anti-competitive matters were involved. It is thought likely that the CAA's own powers will generally be adequate to deal with most complaints of anti-competitive behaviour.

£1.5m campaign seeks to halt slump in motorcycle sales

BY ALAN WRIGHT

THIS WEEK sees the start of a £1.5m advertising campaign aimed at improving the image of motorcycling and arresting a market slump that has seen sales tumble from 315,000 in 1980 to 144,000 in 1984.

The advertising account of the Motor Cycle Association (MCA), which co-ordinates importer policy decisions, has been won by Saatchi & Saatchi in the face of competition from five other agencies.

Advertisements, featuring the slogan "Free with every motorcycle. You'll run nationwide on television from May 20 to June 24, while from June 10 publicity leaflets will be delivered to some 12.2m homes throughout the UK.

A cinema advertisement will be shown with the new James Bond film *A View to a Kill*, which it is estimated will be seen by about 1.5m people, and advertising space will be taken in newspapers and magazines.

The money for the campaign will be raised by a levy on new motorcycle sales, which are forecast to reach about 120,000 this year. Dealers will contribute £8.50 for each model sold, with another £12.50 contributed by the main importers - Honda, Yamaha, Suzuki, Kawasaki and BMW.

Importers such as MZ of East Germany and Tomos of Yugoslavia are not taking part.

It is hoped that the levy will raise £1.5m. The MCA says the £1.5m figure for the campaign has been pitched on the safe side to allow for contingencies.

The MCA was encouraged to go ahead by the success of a pilot scheme in the south-west of England last summer. In that region, motorcycle sales fell by only 2 per cent then, compared with a decline of 20 per cent in the rest of the country.

Mr Gerald Davison, director of Honda (UK), Britain's biggest motorcycle importer with 38.5 per cent of sales, describes this result as good enough to convince those doubters in the industry that the MCA should go ahead with a similar project nationwide.

The industry's problems are due in part to high youth unemployment - the 18 to 24-year-old age group traditionally being a happy hunting ground for motorcycle importers. At the same time, the working population is under less economic pressure than after the 1973 oil crisis, which resulted in a boom in sales until 1980, the second highest sales year on record.

In the light of these problems, Honda has decided to modify its sales strategy and to remodel its dealer network in an effort to give its machines a higher profile to the general public.

There are at present 850 Honda

dealers in the UK - down from a peak of 750 to 800 four years ago. From next January 1, 1986, the company will have 120 regional dealers, each with a population area of about 4m people. These regional dealers will supply models to 180 motorcycle shops which are at present supplied directly by Honda, but which each take fewer than 30 bikes a year.

The regional dealers will also start to establish what Mr Davison refers to as satellite points - areas of display in locations such as department stores, shopping and garden centres. These are unlikely to be points of sale unless back-up facilities, like pre-delivery inspection and servicing, are made available on site.

A move in this direction has already been made with the launch this month of the Honda Vision moped, which will go on display in showrooms of Visionhire, the television rental company.

Mr Davison took over responsibility for Honda (UK) two years ago. Before then, Honda had been criticised for turning a blind eye to some of its dealers supplying models to non-franchised "pirate" outlets. Together with other members of the MCA executive, he has been able to instigate more orderly marketing in the UK and a move away from the heavy discounting policies which have damaged the industry.

Textiles chief faces dilemma sewing up a new MFA deal

THE UK textile industry is in a healthier position today than it has been for a number of years according to Mr Harry Leach, the new president of the British Textile Confederation.

"There is a positive belief in its ability to survive. A few years ago, when the exchange rate stood at \$2.40 to the pound, it was extremely difficult to say that," he says.

The Multi-Fibre Arrangement (MFA) - the world agreement that regulates about 80 per cent of international trade in textiles and trade - is going to occupy a considerable part of Mr Leach's two-year presidency.

It was introduced in 1974 to allow Western industry to put its house in order and give the low-cost suppliers increased access to these rich markets. The MFA has been renewed and now expires in July 1986.

Mr Leach will be at the centre of representations, largely centred at the EEC's headquarters in Brussels but also involving the General Agreement on Tariffs and Trade (GATT) in Geneva, for the next 14 months. His role in these talks will be to secure a renewed MFA or show concern about the proposed terms.

Sitting in the Committee president's chair he will soon have to resolve that dilemma.

He knows the path towards resolving the dilemma, though. "If we don't get a properly negotiated MFA then one of its original aims, increased support for the low-cost suppliers through greater access to our markets, will never be achieved. The only beneficiaries will be countries like South Korea and Hong Kong which are now virtually developed countries."

"If we don't get an MFA how are we going to help those who really need our assistance, countries like Bangladesh and Sri Lanka?"

What about when Spain and Portugal join the community next year? Will this not increase the pressure to keep out Third World exports? "Not from Britain's point of view, certainly. But from the European standpoint, and here, a just or two of smoke from the pipe obscures things as the sentence trails away. The need to wear two hats, two presidencies, dictates caution," Harry Leach is not going to look for trouble before it comes at him.

The industry is in a bit of a dilemma about the official approach. Do we chase the commitment to a renewed MFA or show concern about the proposed terms? Sitting in the Committee president's chair he will soon have to resolve that dilemma.

He knows the path towards resolving the dilemma, though. "If we don't get a properly negotiated MFA then one of its original aims, increased support for the low-cost suppliers through greater access to our markets, will never be achieved. The only beneficiaries will be countries like South Korea and Hong Kong which are now virtually developed countries."

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Timber traders attack conservation plans

BY ANDREW GOWERS

A FIERCE row has broken out in the timber industry over proposals by the Forestry Commission for a new policy aimed at conserving Britain's neglected broadleaved woodlands.

Timber merchants and growers are complaining that the Commission's plan, presented to the industry in a discussion paper last month, offers inadequate financial support and imposes unworkable and unnecessary restrictions on their business.

The British Timber Merchants Association said the commission's proposals would be bound to reduce the amount of hardwood timber - mainly oak, ash, beech and sycamore - coming on to the market, and could lead to job losses in rural areas.

Timber Growers UK, which represents some 3,000 private woodland owners, has also complained publicly that the plan "falls seriously short of an economically viable policy for the good management of our broadleaved woodlands."

Although broadleaved woodlands, totalling 750,000 hectares, constitute a relatively small proportion of Britain's forests, they account for a fifth of the country's wood production, according to the Forestry Commission.

About half of the broadleaved forest consists of small woods and clumps, which has often made commercial management for timber production too costly. As a result,

much of the growing stock has been allowed to deteriorate, or has simply been felled and not replaced.

To improve management and conservation of the woodlands, the Commission has proposed tighter controls on felling and planting, broadleaved trees, and increased grants for planting them.

The private timber growers, who own some 90 per cent of all broadleaved woodlands, argue that the controls would reduce their revenue from timber production - and that the increased grants are not sufficient to compensate for this.

"If an owner complied with these recommendations, he would incur very significant extra costs, which might make many broadleaved woodlands loss-making," said Mr Ronnie Williams, chief executive of Timber Growers UK.

The result would be the very opposite of the commission's intention, an increase in the area of derelict woodlands.

For its part, the Timber Merchants Association is worried that the proposed policy, by reducing supplies of home-grown hardwood, will allow imports to make further inroads into a market which is already depressed by slack demand from the construction industry.

"We cannot over-emphasise the importance of the continuity in supply of the predominant hardwood species, if we are to maintain a market hold that will give a reasonable return to the grower," said Mr John Todd, the association president.

Mr de Loos said yesterday that SRE has raised half of the £1m needed to launch the station.

The station, which will be aimed at cable subscribers, intends to broadcast music 24 hours a day from studios in London. SRE has opened talks with British Telecom to lease a radio channel on the EEC 1 satellite and Mr Ron de Loos, general manager of the company, says broadcasts could begin as early as August.

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Lack of support ends London Tube strike

BY PHILIP BASSETT, LABOUR CORRESPONDENT

Leaders of the National Union of Railwaysmen (NUR) last night acknowledged that the impact of the Government's pre-strike ballot legislation had been a key factor in cutting support for yesterday's now-abandoned strike on the London Underground.

Mr Jimmy Knapp, NUR general secretary, announcing the decision of the union's executive to call off the indefinite strike after less than a day, said that despite its outcome, he would still not in similar circumstances put such an issue to a membership ballot. The Government's legislation requires a ballot before a strike is called.

The decision came after London Regional Transport (LRT) managed to run more than 75 per cent of its normal services. NUR members widely ignored the strike call. Members of the train drivers' union Aslef and busmen in the Transport and General Workers' Union largely ignored their unions' advice not to cross what turned out to be mostly token NUR picket lines.

The climbdown by the leadership of the NUR over its strike call

against proposals by LRT to extend one-person operation of Tube trains on more of its services is a further boost for the Government's labour legislation.

LRT management last week obtained a High Court injunction against the NUR for its failure to ballot its 11,000 Tube members on the strike, as required by the 1984 Trade Union Act.

Dr Tony Ridley, chairman and managing director of London Underground, said last night: "We will not be pursuing legal action in respect of today's strike."

The management could have pressed contempt charges against the NUR for its executive's decision to defy the injunction, or sought damages in compensation for yesterday's action. There was widespread disruption in the capital as many commuters switched to cars, but 310 Tube trains out of a scheduled 451 ran during the morning rush hour. About 2m commuters use the Tube daily.

Mr Knapp insisted that the union and the prospect of further legal action had not influenced the executive's decision to abandon the

strike. But after the decision earlier this year by the leadership of the largest Civil Service union to call off a strike after a similar injunction obtained by the Treasury, the outcome of the NUR's strike is a further indication of employers' readiness to use the ballot provisions of the law, and of their effectiveness.

The NUR decision, and the widespread refusal of the union's members to fall into line with their leaders' instructions, may make both the NUR and other unions think carefully before calling industrial action which has not been sanctioned by ballot.

Mr Knapp maintained that, given the timescale in which LRT informed the union last week of its plans to extend one-man operation yesterday, organising a ballot would have been impossible.

He accepted that legal action brought by LRT had an impact on the union's Tube members by creating an "intimidatory atmosphere of confusion" and a "mistaken impression in their minds" that if they followed the union's call, they would be acting illegally.

Ministers discuss property tax reform

A RANGE of options for reforming the system of rates (local property taxes) was further narrowed yesterday at a 2½-hour meeting of senior ministers chaired by Mrs Margaret Thatcher, the Prime Minister.

The most favoured option remains a universal tax, to be known as a resident's charge, in place of domestic rates, and a centrally determined business rate in place of non-domestic rates.

Mr Patrick Jenkin, the Environment Secretary, reported on the advantages of the various options and there will be a further meeting of ministers before the end of July. It is hoped to produce a consultative paper by the end of the year with legislation probably in the 1986-87 parliamentary session.

Ministers are concentrating on some form of universal tax, to be levied on either a flat rate or graduated tax basis. The term poll tax is not being used because of its association with paying for the right to vote and the Home Office's objections to the use of the electoral register for taxation purposes.

At present, domestic rates are levied by local authorities on a valuation of individual properties, irrespective of the number of occupants.

LAZARD BROTHERS, the merchant bank which advised the Government on the British Aerospace offer for sale has been asked to do the same job in the next stage of the privatisation programme, the sale of shares in Britoil.

The Government plans to sell its remaining 48.8 per cent stake in the company, worth over £500m, later this year. Britoil's adviser will be its merchant bank, N.M. Rothschild.

Lazard has emerged as one of the Treasury's favourites for City of London advice on the privatisation programme. The bank is already advising the Government on several sales likely to take place over the next two years including the sale of assets of British Shipbuilders, and the flotations of British Airways and the Royal Ordnance Factories.

ARCO OIL, a subsidiary of Atlantic Richfield, is to establish an offshore support base in the UK at Great Yarmouth as part of its programme to produce gas from the North Sea as well as to assist further exploration and drilling activities.

BRITISH GAS corporation will in future publish details of its sales of central heating systems in which it competes against private contractors. The move follows a request from the Office of Fair Trading that the corporation should give more information about its operating results.

Bank appoints six to City watchdog board

BY JOHN MOORE, CITY CORRESPONDENT

THE BANK of England yesterday appointed six members to the proposed Securities and Investments Board (SIB), the new main regulatory body responsible for policing securities firms and investment companies. Other members of the new board are to be named later by the bank of England as the precise number required has not been decided.

In a move which forms part of a major restructuring of the regulation of London's financial community, the Bank named the following City of London and business figures as members of the board.

Professor Jim Gower, consultant research adviser on company law to the Department of Trade and Industry, who will become a part-time consultant to the board; Mr Robin Hodgson, 43, managing director of Granville and Co., the licensed dealer in securities and chairman of the National Association of Security Dealers and Investment Managers; Mr John Kerridge, 50, chairman and chief executive of Pisons, the pharmaceutical company; Mr Ralph Queranno, 57, chief executive of Postel Investment Management, the pension fund management arm of the Post Office and British Telecom; Mr Robin Searmouth-Darling, 59, chairman of stockbrokers Laing & Cruickshank, member of the Stock Exchange ruling council and deputy chairman of the Panel on Takeovers and Mergers; Mrs Rachel Waterhouse, 62, chairman of the Consumers Association and Mr Mark Weinberg, 53, chairman of

Hambro Life Assurance since 1984.

Mr Weinberg is also chairman of the Marketing of Investments Board. Organising Committees, which is intended to set up a new body responsible for the regulation of pre-packaged investments, such as life insurance and unit trusts. The Bank of England said yesterday that Professor Gower would also become a part-time consultant to the organising committee for this body in addition to his other responsibilities.

In March this year Sir Kenneth Berrill, chairman of stockbrokers Vickers de Costa, was named as the first head of the SIB, and he is in the process of setting up the new body. Mr Martin Jacob, vice-chairman of Kleinwort Benson, the merchant bank, was named as part-time deputy chairman of the new body.

Sir Kenneth, who will serve full time, is expected to be paid a salary of £100,000 but no final contracts have yet been drawn up. Those named yesterday will be serving part-time at a salary of £8,000 a year each. Their pay has been determined in part by taking into account the salaries which are paid to non-executive directors of British companies.

The Bank of England said yesterday that "in order to provide flexibility from the outset" in the composition of the new SIB, some members will serve initial terms of one year, some two years and some three years. Of those named yesterday Mr Hodgson and Mr Weinberg

will serve one year each; Mr Searmouth-Darling and Mr Kerridge, two years; and Mr Queranno and Mr Jacob, three years each.

Charles Batchelor writes: The London Stock Exchange is determined to retain ownership and control of the electronic dealing systems which will be introduced in 1986.

The exchange seems to be set on a collision course with Renier, the international business information group which plans in July to introduce an international dealing system developed by the U.S. company, Instinet.

Reuters, Instinet and the exchange are all keen to avoid a confrontation but the declared aims of the three organisations, which are still in discussions aimed at reaching some form of agreement, appear contradictory.

Mr Hayter said: "The new networks will become the trading floor. It would be unthinkable that the stock exchange should have a trading floor that it does not own and operate."

Reuters' decision to set a London launch date of July for the Instinet dealing system has given greater urgency to the talks which the three organisations have been holding for the past few months.

The Instinet system allows the automatic completion of deals involving up to 1,000 shares and at present carries U.S. stocks, foreign stocks quoted in the U.S. American Depository Receipt (ADR) form and U.S. options.

Rule changes to widen scope for satellite TV reception

BY RAYMOND SNODDY

THE GOVERNMENT is expected to announce later this week a liberalisation of the rules on satellite television reception.

For the first time individuals and proprietors of individual premises such as hotels, pubs and restaurants will be able to erect their own reception dishes to receive television programmes broadcast by satellite. Dish owners will, however, need planning permission and will have to meet minimum technical standards to avoid interference.

The move is a significant boost for cable television programme providers. It will mean that the six new channels of cable television programmes will be theoretically available all over the country.

To begin with the market will probably be for hotels rather than individuals because the equipment

is likely to cost in the region of £2,000. Mr Geoffrey Pattee, Minister for Information Technology at the Department of Trade and Industry (DTI), is expected to make the announcement on Thursday in a written answer in the House of Commons.

The Government will also liberalise the rules on Satellite Master Antennae Television (SMATV), which involves small existing cable networks.

Until now DTI licences were needed to erect satellite dishes and were only given to cable television companies or organisations conducting research. Restrictions will, however, be placed on the licensing of SMATV systems to protect the new broadband cable television franchises.

SMATV licences will not be

granted in areas where a new cable franchise has been awarded or where the intention to award a franchise has already been advertised.

The Cable Authority, which is the regulatory body for the cable television industry, will issue guidelines on the granting of SMATV licences. The intention is to award licences to SMATV operators for an initial five years in areas which are unlikely to be cabled in the immediate future. Companies such as Thorn EMI have been waiting for some time for the go ahead for SMATV and have been making preparations to make equipment available as soon as the Government announcement is made.

Thorn research suggests SMATV could be a market worth £50m a year in the UK by 1987.

Private managers may run state trusts

By Sue Cameron

THE GOVERNMENT is to hand over the management of its common investment fund unit trusts - at present worth some £50m - to private sector companies on a competitive tender basis.

The decision, announced yesterday by Lord Hailsham, the Lord Chancellor, follows recommendations by Whitehall's own Efficiency Unit. The unit's report on investment by the Lord Chancellor's Department was completed some 18 months ago.

The common investment funds were set up in 1965 to give the courts a means of unit trust investment for their administration of private assets - assets such as awards made to children and the estates of mental patients. The unit trusts are managed at present by the Public Trustee on behalf of the courts.

The decision to give the management of the unit trusts to private sector companies is not thought to mark any criticism of the Public Trustee Office. The yield on the funds is understood to have been very much in line with those achieved by private sector concerns.

The Efficiency Unit apparently felt there was no good reason for this fund management to be carried out by government when there was already expertise in the private sector. The existence of competition within the private sector is also thought to have been a factor.

Lord Hailsham also announced yesterday that he was planning to bring together the work of several government offices involved with the management of privately-owned assets into a single unit to be known as the Public Trust Office.

The office, which will be established over the next three years, will incorporate work now being done by:

- The Public Trustee Office which can act, among other things, as an ordinary trustee or as an executor or administrator of a dead person's estate. Lord Hailsham stressed that his reforms would not affect the estates for which the Public Trustee might be appointed executor in the immediate future.

- The Court Funds Office, whose work includes the safe custody of all funds paid into court.

- The administrative - as opposed to the judicial - work of the Court of Protection which safeguards and manages the affairs of the mentally disabled.

The Lord Chancellor's Department will be seeking professional advice on the contracting out of its unit trust management.

Pit union urged to call off ban

BY WALTER ELLIS

THE NATIONAL Coal Board (NCB) yesterday called on the leadership of Nacods, the pit supervisors' union, to suspend its overtime ban and to return to the negotiating table over its grievance about pit closure procedures.

Indications are that the ban, which started at the end of last week, has caused only minor disruption. Overtime by the pit supervisors is largely confined to weekends when underground safety work is normally undertaken.

Nacods members voted for the ban in protest at what they see as an erosion by the NCB of an undertaking last October to put all proposed colliery closures through an agreed procedure.

Mr Michael Easton, the NCB official spokesman, said that the board had assured Nacods "in the clearest possible terms" that any decision relating to a pit closure would be dealt with within the colliery review procedure as it existed today or under a modified procedure "if

agreement can be reached between the board and the unions."

Mr Peter McNeavy, Nacods general secretary, said the union would be willing to meet the NCB

An indication of the strength of union attitudes was provided yesterday at Bevercotes colliery in North Nottinghamshire, one of the area's most profitable pits. One Nacods deputy reported for work at the pit, and a subsequent walkout by his colleagues caused all 900 miners to be sent home.

Sales of public assets raise £17bn

BY ANDREW ARENDS

SALES of public sector assets including council house sales and shares in public corporations have raised over £17.2bn since the Conservatives came to power in 1979, according to the Treasury.

Over two thirds of this total was accounted for by sales of local authority assets - mainly council houses. The Government's controversial and much publicised privatisation programme raised barely £5bn in comparison.

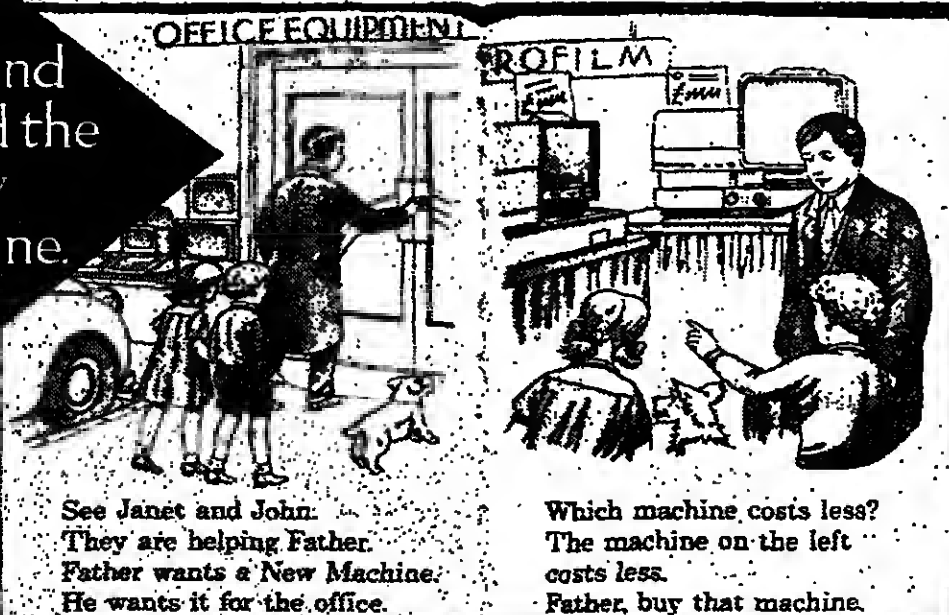
The figures, given in a written parliamentary reply by Mr John Moore, Financial Secretary to the Treasury, reveal that £8.37bn was raised - nearly half the total - over the past two years. This figure was boosted by a number of large public sector flotations such as British Telecom and Jaguar Cars.

The figures show that sales of council houses peaked, in cash terms, in 1983-84, when just over £2.8bn was raised. The trend seems

to be downwards with those authorities that encourage council house sales having fewer houses to sell.

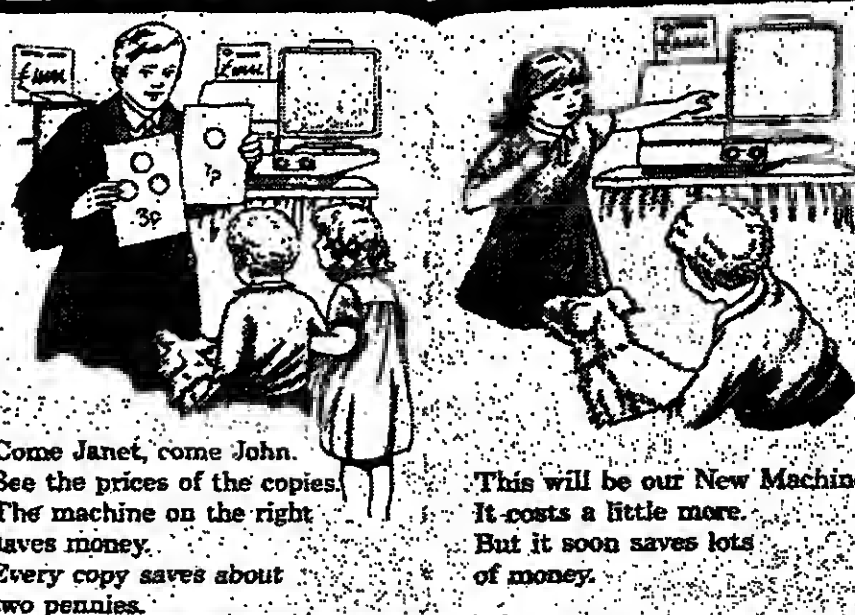
This trend has been partly compensated for by an increasing stream of cash from special asset sales, such as British Telecom. As the BT share offer will raise about £3bn over three years, there will be a continued cash flow from this source over the next two financial years.

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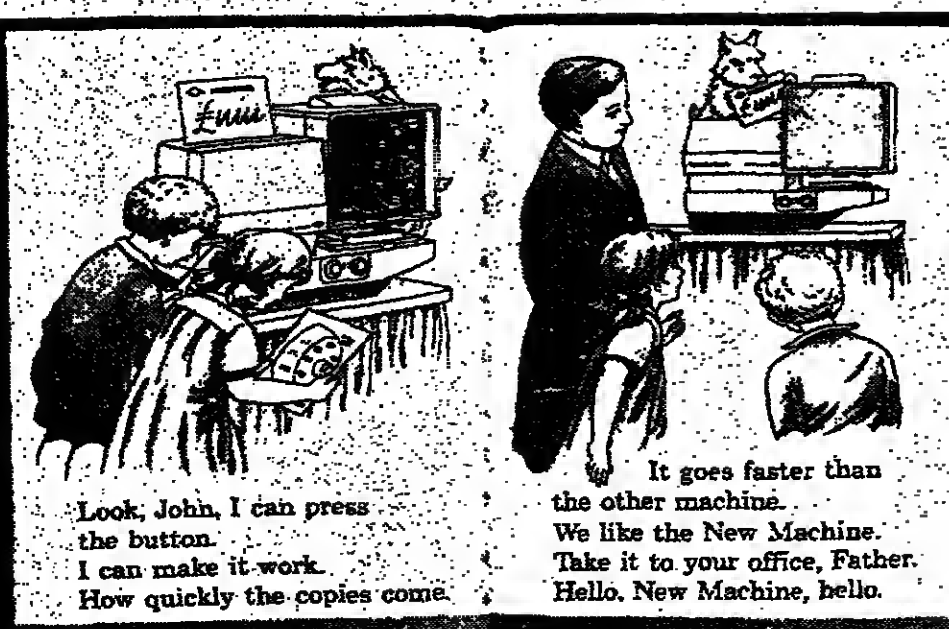
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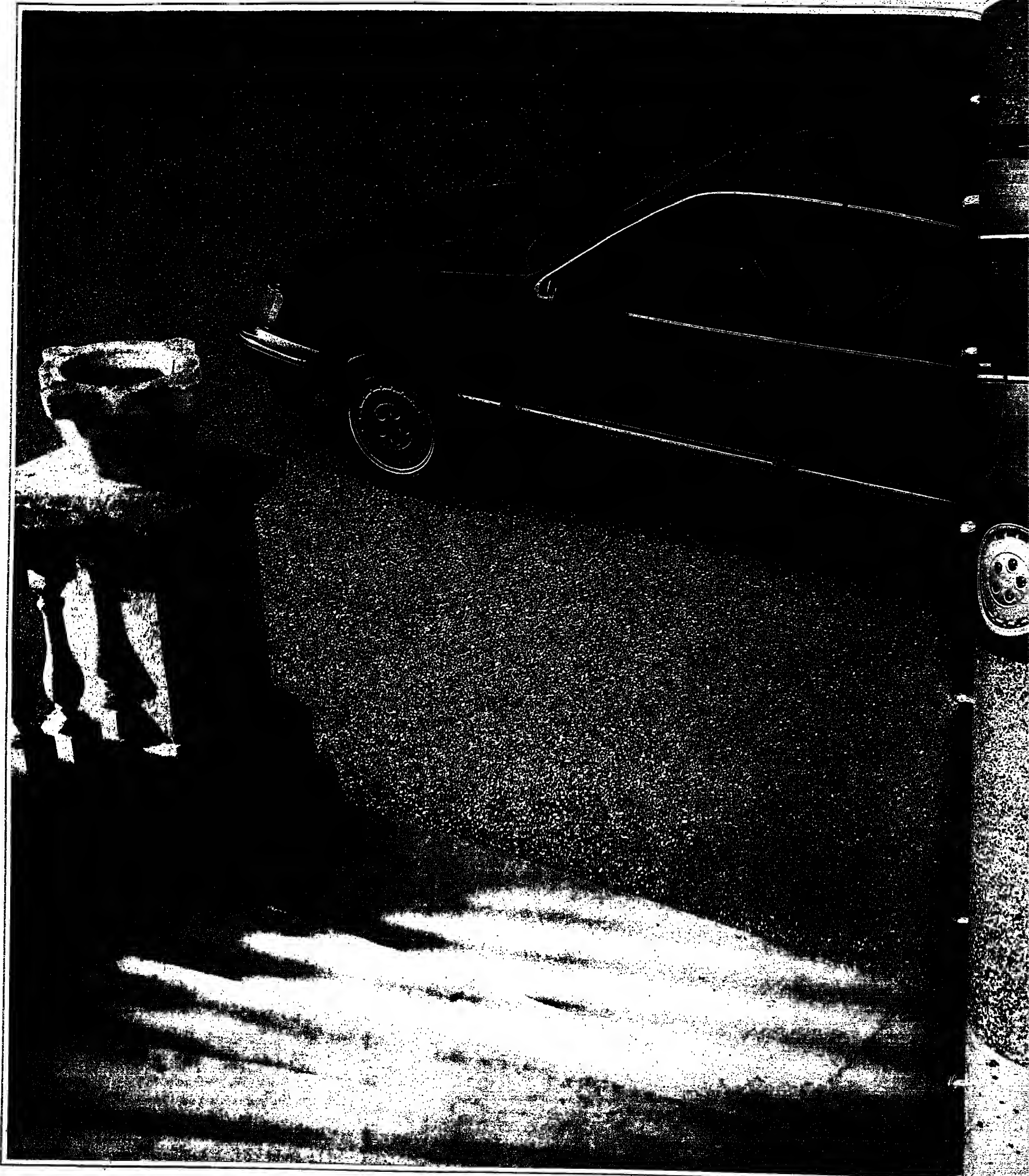
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THE MANAGEMENT PAGE: Small business

EDITED BY CHRISTOPHER LORENZ

William Dawkins describes two examples of the identification and exploitation of niches in the highly competitive computer market

FEW companies can illustrate the rough-and-tumble of the computer hardware business more vividly than Plus 5 Engineering.

Founded in 1982, this East Sussex-based maker of add-on storage devices for microcomputers came within a whisker of collapse before seeing its sales quadruple to £2m over the past two years and being courted as a takeover candidate by one of the largest electronics groups in the UK.

It has survived by successfully pinpointing a market which big computer producers cannot enter in force without damaging sales of their existing products. It follows a similar pattern to Intelligent Environments in that it has found a niche in the computer industry which the larger operators — though not all — have left alone.

Plus 5 is one of the largest European producers of hard disk subsystems. These devices can be added on to micros to increase their speed and storage capacity, providing an economic alternative to buying a whole new system for businesses whose demands on their machines are growing. Each of Plus 5's 100 or more products is modelled to suit a specific brand of micro, with a casing to match the design of the machine it accompanies.

"Big manufacturers could very well decide to do what we are doing, but they have a dilemma," explains Tim Coulson, Plus 5's 33-year-old managing director. "Clearly they would have to do it for their own machines, but if they are launching a new product every year, there is a marketing conflict." It makes little sense for a computer maker to produce large volumes of machines which enable users to upgrade their old micros instead of buying new ones.

Coulson admits that while the market for his current range of products appears to be growing now, it could easily vanish just as quickly as it emerged. He estimates that 5 per cent of the UK's micro-users have upgraded their machines in this way. There are no centrally gathered figures, but trade estimates suggest that the UK micro-computer subsystems market could be worth £30m out of a global total of £350m.

"The proportion that could be achieved is probably more like 30 per cent, but it's got to be done in the next year to 18 months because the machines will get out of date, and the price of hardware will



Tim Coulson: "Following the gaps".

Add-ons that boost speed and storage

have come down so much that people will be buying new rather than upgrading," he says.

Like many small high-technology firms, Plus 5 is not at the sharp end of research in that it makes up new products from components which are already available. This should, in theory, allow it to develop new lines more quickly than genuinely innovative companies which originate products from scratch.

That, at any rate, is the approach which Les Wilk, Plus 5's development director, has taken in devising the group's latest product, PLUSaet, a machine which enables micros

of different makes to share the same storage device. "It's a question of following the gaps that the major manufacturers do not supply themselves and trying to keep ahead of them," says Coulson.

In the company's early stages, however, Plus 5's directors devoted so much attention to pursuing those gaps and so little to running their business that they nearly came unstuck. Plus 5 originated as a spare-time activity for two micro-computer maintenance technicians and an engineer who moved into a hut in a builders' yard in Crowborough to create subsystems for the Sharp range of micros.

They saw an opportunity to do the same for other makes of micro and called in Coulson, one of their customers who was then working for a London computer dealer, to take care of sales. Coulson set up an ACT dealership to bring in cash, while the others concentrated on production and development.

By December 1983, its first year of trading, Plus 5 had turned over £484,000 and made a £23,000 loss. "Our administration was in a mess. Everybody was making boxes and there was no time to do anything else," recalls Coulson.

He recruited a personal friend, John Butler, a local management consultant, to turn the business round in return for just over 5 per cent of the equity. They thought that just because they were busy, they ought to be making a profit. But they were wrong," says Butler. His first tasks were to install an accounting system and reorganise the management team so that each member had a clearly defined job, rather than trying to do a little of everything.

"From working like a rather loose partnership, it suddenly began to look like a company," says Butler. Now that Coulson, with all his old computer dealer contacts, could devote his full attention to marketing, while his colleagues worked full time on development and production, the ship began to turn.

By the end of 1984, Plus 5's sales had risen to £2.2m, with taxable profits of £143,000, and the group was able to afford a move to more spacious offices nearby. Its 26 employees now produce add-on subsystems for most makes of micro, with the exception of Apple, where the subsystems market is dominated by ICE, a Middlesbrough-based concern.

With the help of Butler, Plus 5 was even able to celebrate the New Year with a £500,000 equity injection from CIN Industrial Investments, the quoted equity arm of the National Board pension funds. CIN now owns 15 per cent of the company, with options to subscribe for more.

The future depends entirely on Plus 5's ability in continuing to think up microcomputer-related products which the big producers have ignored. But if that fails, the group's network of more than 800 dealers in the UK and Europe will at least ensure that it could be a valuable acquisition candidate for a manufacturer looking for a ready-made marketing channel.

Turning the inexpert into experts

BEAVERING AWAY in his tiny office above a sweet shop just off London's Pall Mall, Laurence Shafe represents a curious paradox.

Intelligent Environments, the company he formed in November with four colleagues from Helix Software Consultants, a London-based financial computer systems specialist, is exploring a market — for cheap artificial intelligence for businessmen — which its bigger U.S. counterparts have generally overlooked.

The paradox is that Intelligent Environments is aiming to exploit an opportunity which has arisen at least partly because of the relative ease with which U.S. producers of more elaborate expert systems have been able to raise large sums of venture capital. As a result, they have tended to turn out highly sophisticated specialised products far beyond the means and the practical needs of most business users.

Intelligent Environments has found a niche which larger companies in its field appear to have overlooked, but it remains to be seen whether it can make use of that opportunity before — as seems inevitable — more powerful competitors follow suit.

With expert systems, the knowledge of the foremost experts in a given area is contained in the memory of a powerful computer. This can be asked for advice and can give reasons for its answers. Some artificial intelligence packages, known as shells, come with the ability to reason but without any specific knowledge, a bit like the untutored brain of a hyper-intelligent child — and this can be added by highly trained computer technicians, or knowledge engineers.

Others, known as mindware, are half-way between the two. They contain a little specific knowledge, but can be turned into expert systems by writing simple notes on its screen — for instance, the way your business operates — and it will then be able to provide advice based on an evaluation of the information you have put in.

Shafe is working on a mindware package that will enable businessmen to quiz their micros about corporate strategy in the same way that they might talk to a management consultant. U.S. producers of artificial



Laurence Shafe: "People will need less training".

intelligence like Teknowledge and Intellicorp have tended to specialise in highly sophisticated expert systems selling for between £20,000 and £60,000 (up to £48,000).

They have, with a few exceptions, ignored mindware, the cheaper, less sophisticated end of the market being explored by Shafe and a handful of other small UK software outfits selling packages for around £300. Shafe estimates that the U.S. mindware market, which he hopes to attack with his company's first product by the end of this year, is potentially worth about \$60m, roughly 10 times the possible size of the UK market.

"It's not as if mindware will take a small part of the software market," he says. "It will enable personal computers to be used by a much wider range of people because they will need less training." So how is it that the big U.S. software groups seem to be missing out on this opportunity?

Their very size provides the clue, believes Liz Sharpe, who represents the company's back-

ers, the Scottish venture capital group Ballie Gifford, on the board. Ballie Gifford put up £250,000 in January in return for a minority stake in the project.

Sharpe points out that U.S. artificial intelligence groups have in general raised very much larger sums than that — £17m in Teknowledge's case — and have started out with correspondingly large overheads. To recover those costs, they have chosen to produce expensive expert systems and shells for specialist users like universities, hospitals or other software houses. This has made it difficult for them to change tack to offer cheap practical packages to an entirely different kind of customer, the small or medium sized business.

"It's a recurring theme in U.S. artificial intelligence," says Sharpe. "They load themselves with overheads and have to recover those costs by selling larger systems, UK companies, partly because they have not raised a lot of funding, have tackled the market in a more down-to-earth way, and the U.S.

is only beginning to see what has happened."

Peter Price, director of Slough-based Expertech, one of about 10 UK companies working in the same field as Intelligent Environments, says: "A lot of the money spent in the U.S. has been directed towards defence applications, which do not naturally lend themselves to business uses. The money spent in this country has been directed towards smaller developments by small companies. That is probably where the UK has a lead."

If Intelligent Environments does succeed in tackling the U.S. — distribution has yet to be arranged — it will be an encouraging example of how small companies can sometimes exploit markets which their larger counterparts are structurally unsuited to pursue. At the same time, and luckily for Shafe, it is not entirely true that the U.S. has missed out on low-cost mindware.

The group is distributing two U.S.-produced mindware packages to provide cash-flow and built up marketing contacts while it is in the development stage. Trigger, written by Thoughtware of Florida, is designed to monitor a company's performance and suggest reasons for any departures from budget and actions to deal with them. Lightyear, produced by a Californian group of the same name, helps managers make strategic decisions — on matters like pricing, production or marketing — by balancing verbal and numerical criteria supplied by the user.

Shafe's first product — which he maintains will complement those produced by the two U.S. companies — is due to be launched at the Comdex computer show in Las Vegas next November. It is intended to be an intelligent planning and decision making tool selling for less than £500, which means that it will compete in price with some of the more sophisticated conventional business software like spreadsheet packages.

The challenge, however, will be whether Intelligent Environments can market itself aggressively enough in the U.S. before the large expert systems producers wake up to the opportunity, and armed with the venture capital, push Shafe and other British groups like this, one back across the Atlantic.

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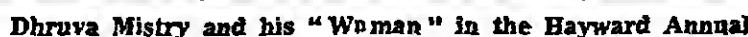
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Nigel Andrews

The film switches about mythologically between fear and hope, day and night, fantasy and fatalism. Schrader and his team have a sense of the granddramatic about a swell of shadows, the Nazi melodramas and Spider Woman epics which hurt feeds to Julia; and which is a kind of a love story of a intrigue-and-betrayal tale gradually unspooling in the prison itself. Like *Mishima*, *Kiss of the Spider Woman* mixes fact, fiction, color and chronology and art and nature and though it's on a smaller, from countries like India, Australia, Sweden or Spain.

In the unbounded territories of the Cannes market, you can see the film of the latest demented splatter movie (*Death Warmed Up*, Igor and the Lunatics) to a rearing political action-thriller from Norway (*Orion's Gate*) to a love story of British mummies, past and present, being trampled in to coincide with British Film Year. More about the Cannes fringe, and the offerings in the film competition in my next and final round-up.

In the unbounded territories of the Cannes market, you can see everything from the latest demented splatter movie (*Death Warm'd Up*, Igor and the Lunatics) to a rousing political action-thriller from Norway (*Orion's Belt*) to whole lorry-loads of British movies, past and present, being trundled in to coincide with British Film Year. More about the Cannes fringe, and the final offerings in the main competition, in my next and final round-up.



Michael Coveney

His prey in Mr Byrne's version are the wives of two decrepit aldermen, Doodle and Dashwell. In Ravenscroft, Doodle's

Ravenscroft is not a writer in the class of Wycherley or Elphinstone—he has no preten-

"Heaven preserve me from this man's wagging member."
Eugenia is the "godly" wife, Sylvestra Le Touzel's part and alabaster Arabella her "witty" counter-part ofian known in the play's history as "Lady No" on account of a famous come-on scene of lubriciously infected negatives. Townly (Mark Sproston) is the beneficiary here, just as earlier he is hauled off to bed by Eugenia in the murky confusion of another Ramble fracas.

Michael Maloney, one of our

The cuckolded aldermen Barry Stanton and Donald G. Stanton particularly good in the garden scene. Mr Gee somewhat emphatically unfunny while either sneezing or buckling his legs. *In sum*, an uneven production, a little short on atmospheric city atmosphere, that at least has its Leicester run down which to iron out the creases before arriving at the Lyric. Hammersmith in the first week of June.

Andrew Clements

New Sadler's W

The New Sadler's Well Festival is to visit the 1985 Israel Festival in May. There will be a seven-week London season at Sadler's Wells from October 15 to November 23, and a four-week tour of Britain during November/December.

For its first trip abroad the company is taking "The Mikado" to Jerusalem for three performances in the 3,000-seat Hayfaan Ha'ooma Theatre. The tour is sponsored by the British Council.

Lionel Frick conducted, laying bare the instrumental lines rather than producing a more generalised late-romantic warmth. Around Maw, the Nash grouped Britten's Op. 1 Sinfonietta and Schuybert's Op. 20, both of them in finely finished, broad accounts that at the same time were just a little predictable. One expects, and almost always gets, impeccable playing at Nash concerts; a few musical surprises, a change of approach to a repertory work here and there,

Richard Fairman

On Saturday evening at the Wigmore Hall (where, coincidentally, both the Britten works had their premieres) soprano Sheila Armstrong and instrumentalist Barry Tuckwell joined forces to exhume some of the more obscure examples of the genre. This was a delightful programme with some real rarities: only Schubert's 'Ave dei stringers' and claim to be a familiar item: a round-like song of typically heavenly length which can be heard on a number of recordings.

The trouble with Sheila Aronson's vocal solos was that she was not horn-like enough. Where Tuckwell's instrument had ease and resonance, hers was tight and strained with difficulty. Strauss's "Waldeske" suffered from a pianissimo which refused to carry and the voice refused to expand at its top to match "Held der Aneidung." Ideally, a map's song. Rossini's *La Regina Velencina*, relying on the character alone, was more of a success. Rossini's *Vignoles* was the sympathetic accompanist.

The New Sadler's Wells Opera is to visit the 1988 Israel Festival in May. There will be seven-week London season at Sadler's Wells from October 13 to November 23, and a four-week tour of Britain during December/January.

The company's first trip abroad the company is taking "The Yekido" to Jerusalem for three performances in the 3,000 seat Pinyanell Ha'ooma Theatre. It is sponsored by the British Council.

At Sadler's Wells Theatre the company will present a new production of Franz Lehár's "The Merry Widow," in a new translation by Nigel Douglas, a new production of "La Traviata," and a revival of its successful "HMS Pinafore."

The company plans to take "The Merry Widow" on tour to Newcastle, Glasgow and Bath. It is a co-production with Opera North, sponsored by The Prudential Assurance Company.

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The Prince of Wales has become the new President of the Royal Academy of Music on the retirement of Princess Alice, Duchess of Gloucester, after more than 42 years in the presidency.

Thus, he begins the exercise with a bodega of sorts to the two greatest living British artists, showing one work by each and both of them masterpieces from about the same time: the great elmwood reclining figure by Henry Moore begun in 1956 and the one by Van Gogh Portrait of a Sufferer by Francis Bacon of whom rather more next week.

High on the far wall hangs a recent carved, fragmented marble roundel by Stephen Cox; the huge Shrubberies Drawing by Gilbert and George of 1972, almost a tapestry, fills

For the rest, it is in the nature of any mixed exhibition, especially one so openly personal as this, that not everything should be of an equal interest, nor even acceptable to every taste. But every artist is given room to make his case, to stand or fall by a full display, and (here are surprises and unexpected pleasures enough.

With another slack — more a column, in his case — and a judicious dismemberment of a free trunk, David Nash shows himself in more positively monumental a mood than usual.

though I liked his small pretentiousness of all, Dhruv Mehta's brightly colored, mythical figures and beasts make for a wonderful mixed marriage of East and West, the cultural richness and imaginative power of the one to the cooler, formal ambivalences of the other. And Nicola Hicks's extraordinary gift, which we first glimpsed for a day only at Angela Flowers last summer, is given more substance by the wart *hogs* and the goat she shows here, as engaging and delightful as they are sculpturally and creatively adventurous.

Hence, the need for theatres to raise their profiles and to sell themselves to the new paymasters. And, hence, the gathering of company executives at the Half Moon in the Mile End Road tomorrow night for a party, a few words from the Minister for the Arts, Lord Gowrie, and a performance of Sweeney Todd, the theatre's present success.

another £1m to complete the redevelopment of the site into a most attractive place with a Gate Tower entrance, a courtyard with a cloister, and a large bar. Just the venue, in fact, for a conference.

The businessmen invited to-morrow from Marks and Spencer, Tesco, Midland Bank and Wiggins Teape, among others, will be encouraged to support the Half Moon, and also perhaps to book its facilities. For starters, it is hoped to attract funding for a competition to find the best and most flexible seating for the new theatre—the present chairs are temporary. Then, there are productions to sponsor, covenants to be made,

The Half Moon does not intend to compromise on its artistic policy. After Sweeney Todd comes David Edgar's *Destiny*. It will still be dependent on subsidy for the bulk of its income, but it is making strenuous efforts to sell its new attractions to both a wider East End audience and commerce.

More people attend Contemporary Music Network concerts

More than 18,000 people attended concerts in the Arts Council's Contemporary Music Network 1984-85 season. This was an 18 per cent increase in average attendance over the previous year. The largest single audience of the season was 1,200 at the Colston Hall in Bristol for the London Sinfonietta.

The two most successful tours, attracting more than 4,000 people each, were those by the London Sinfonietta and the United Jazz and Rock Ensemble.

ITALY

Milan, Teatro alla Scala: Macbeth conducted by Claudio Abbado (the production is based on Giorgio Strehler's 1975 edition). In the cast, Ghena Dimitrova, Francesca Garbi and Aldo Bramante. (89/1/26)

Rome, Teatro dell'Opera: Three ballets with the splendid Majak Plietskaya: Petroushka by Fokine, Les Biches by Nijinska and Phedra with choreography by Serge Lifar, conducted by Alain Lombard (46/17/58).

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 17-23

NEW YORK

New York City Ballet (New York State Theatre). A new ballet by Jerome Robbins joins Balanchine and Robbins favourites, including *A Mid-*

Stadschouwburg (Teneel-
brodians with Ed Wubbe's
Journey (John McDowell),
Christie's Quartet I (Shoe-
and Pub (Martin). (Wed).

Nederlands Dans Theater continues to astound and enchant under its Czech director Jiri Kylian at the Théâtre de la Ville (274.2277). Debussy's *Pelléas et Mélisande*, Tchaikovsky's *Swan Lake*, and Stravinsky's *The Firebird* are also on the program.

The Mideummer Marriage, Tippett's most abundantly lyrical musical outpouring, returns to London in the new production by David Pountney, conductor Mark Elder. Further performances of the fresh-look *Madam*

with the Paris Opera and the Théâtre Des Champs Elysées conducted by Hans Zender, production by Gian Carlo Menotti with Pélleas sung by Laurence Dale/Francois le Roux, Mélisande by Barbara Hendricks/Colette Alliot-Lugaz. Théâtre des

Butterfly, with Janice Cairns in the title role and John Mauwerri as a lovingly expansive Puccini conductor, and of *The Marriage of Figaro*, a rather uneven revival with at least the Cherubino of Diana Montague and the Count Almaviva of Richard

Champs Elysees (7234777)
Hearse's Boulevard Solitude after
Mango-Lescout in Nanou's Opera-
Theatre production in Pier-Luigi
Pizzi's scenography. Costumes by
Marc Bohan. TMP-Chatelet
(2334444)

ladler's Walls, Rosebery Avenue
Marce Cunningham series contin-
ues. (2789616).

WEST GERMANY
Berlin, Deutsche Oper: Manon Lescaut, sung in Italian, has fine interpretations by Raina Kabaivanska (soprano), Eusebio Armstrong, Kaja and Franco Tagliavini, Tosca stars Pilar Lorengar and Giacomo Aragalli. Boris Godunov returns to the programme. Pelles und Melisande

Garden this week - the last in the current run of King Friar, revived to celebrate Michael Tippett's 80th birthday, and worth catching for the very fine singing (from Robin Leggate, Phyllis Cannan, Felicity Palmer, and Deon van der Walt, among others) rather than for the now dated and rather tatty production. (1240 1085).



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FINANCIAL TIMES

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Tuesday May 21 1985

Not forgetting Ireland

THERE has always been a tendency when a British government gets into difficulties at home, or begins to think about the next general election, to relegate the Irish question to the third division as something that can be dealt with another time.

Mrs Thatcher's second administration has not reached that position yet, but it is still worth recalling the relatively high hopes with which it started. There was a British government with a pretty clear run and freedom of action for a good four years. The constitutional parties in the Republic were working together on the report of the New Ireland Forum, which they duly produced last May. There have been some ups and downs since then: in particular, Mrs Thatcher's press conference after her meeting with Dr Garret FitzGerald, the Irish Prime Minister, last November when she appeared to dismiss the forum report out of hand. Relations have been subsequently repaired, but there is still a long way to go.

In this, as in so much else for Mrs Thatcher's administration, the next few months will be extremely important. The government has to decide its priorities for the next two years and whether the Irish question remains among them.

It is possible to argue that the question has gone some way towards resolving itself. Apart from the occasional sectarian incident (there was one yesterday in which four people were killed), the level of violence has gone down. Sinn Féin did reasonably well in the local government elections last week but no better than expected and it certainly did not make a breakthrough.

Besides, so this argument goes on, summit meetings between British and Irish prime ministers tend to end in tears. They build up expectations, which are followed by mutual recriminations. Not least, the Irish question is no longer central to British politics. It has become, as indeed it is, more of a question for the Irish.

The alternative to Serps

THE British Government's decision in principle to outsource the State Earnings Related Pensions Scheme (Serps) has met with some predictable criticism. The trade unions, the Labour and Alliance parties and even some life assurance companies have all expressed reservations. Mr Norman Fowler, the Social Services Secretary, will therefore be relieved to learn he is not entirely alone in his substantial new report, *Pensions: The Problems of Today and Tomorrow*, published last week by the Institute of Actuaries, gives the Government's approach to retirement provision some timely intellectual support.

Mr Fowler is likely to welcome the independent report for at least two reasons. First, although the Government's approach to retirement provision is a relatively sanguine view of demographic trends, arguing that the rising ratio of pensioners to workers will not impose serious strains for 30 to 40 years, they nonetheless agree that the abolition of Serps would be desirable. Dispersing the pensioners, they argue, would in the longer term allow either a reduction in National Insurance contributions or a more generous basic state pension.

Secondly, the Benjamin report criticises many aspects of private occupational pension schemes. Most of the criticisms echo the Government's own reservations about Serps. The authorities argue that pensions which offer "defined benefits" (the vast majority of occupational schemes offer benefits linked to final salary) give "an appearance of security that we consider an illusion." Mr Fowler might use the same words to describe Serps' promise of a pension linked to an individual's income in his best 20 years of work and indexed for inflation. The security of defined benefit schemes, argues Benjamin, "depends wholly on the ability of the economy to provide this expected return on capital."

The Government will not only agree with this critique of defined benefit pensions; it will also endorse the alternative put forward in the study. Prof Benjamin and his colleagues see merit in "money purchase" or "defined contribution" schemes. Such pensions are personal and portable because there is a direct link between the contributions of an individual (and

day's relations between London and Dublin have progressed considerably in recent years. The Irish now co-operate on security in a way that would have been inconceivable in the 1970s. The two countries live together in the wider European Community. The forum report explicitly stated, as Dr FitzGerald repeatedly reinforced, that any solution must take into account "the right of unionists to effective political, symbolic, and administrative expression of their identity, their ethos and their way of life."

In other words, there is no longer an immediate demand for Irish unity, but only for a steady process of reconciliation. That is coupled with the warning that, if an advance towards reconciliation is not achieved, the catholic community in the north may move more and more towards Sinn Féin and the IRA.

Postponed

In his speech to his party conference last weekend, Dr FitzGerald said: "There is a minority community, excluded from power for half a century, a substantial section of which has been alienated from the system of government in Northern Ireland, from the operation of the security forces, and even from the legal and judicial system — an alienation that must be ended." He added that any viable solution must be acceptable to the unionists, but securing it in conditions of peace and stability.

Talks between the British and Irish Governments at official and ministerial level have been going on since the summit meeting in November. Dr FitzGerald said on Saturday that his chances of success are at least 50-50. There was to have been another summit meeting this month. It now seems likely that it will be postponed until, at least, September.

There is nothing wrong with postponement if it leads to a better more carefully prepared result, but one would like to hear from the British Government that the Irish question is still high on the agenda.

his employer) and the benefits eventually received. The pension depends on the pensioner's investment return on the funds invested by employer and employee.

The attractions of a "money purchase" alternative to Serps need no spelling out. The Government could present the de-nationalisation of the scheme as a pressing problem. The personal saving as another big step towards its goal of a capital-owning democracy. The privatisation of pensions might be presented as a popular measure as the sale of council houses. However, there are two reasons why such an alternative would need to be phased in only very slowly. First, the portable pension industry is not well regulated. A sudden influx of ill-informed new customers would invite trouble. Commission rates would need to be closely monitored and the presentation of products standardised.

Safety net

More fundamentally, it is important not to lose sight of the original purpose of Serps, which was to alleviate poverty in old age which, with 2m pensioners at or just above the supplementary benefit line, remains a pressing problem. The Benjamin report points out that modern money purchase pensions, by investing in index-linked securities, can offer more security against inflation than was once the case. But even if the Government were to issue many more index-linked gilts, individuals would not feel that the money purchase alternative offered the same degree of security as Serps.

For this reason, the phasing out of Serps ought to be accompanied by a substantial increase in the basic "safety net" pension. This would be possible if the Government were prepared to accept the powerful case for a wholesale reform of the social security system. If all benefits (including child benefit) were withdrawn according to the income of the family, the Government could afford, at no net cost, to be much more generous to the very poor. The computerisation of the tax and benefit systems should be complete within a few years. Assessment for benefits could then become impersonal and automatic and the stigma attached to means-testing removed. Falling the Serps does "promise" protection against poverty for 11m people, and its abolition is likely to prove a political liability.

AT TIMES recently it has seemed as if there were no limit to the number of deals and alliances being hatched at Olivetti group headquarters in the quiet Piedmontese town of Ivrea.

The answer is that Olivetti, a company which has achieved a remarkable resurgence in the last five years by transforming itself from a "lagging maker" of mechanical typewriters into one of Europe's foremost data processing equipment producers, is poised to make another leap. The new strategy, under the dynamic leadership of Sig Carlo de Benedetti, is to jump from being a successful European hardware manufacturer into being a global player in the office automation market, providing a complete package of information equipment and telecommunications.

This strategy, as Sig de Benedetti would be the first to admit, is not without risk. Crucial to its success is a bid to achieve high volume sales in Europe, the U.S. and Japan, which Olivetti needs to compete with the likes of IBM and to stand to secure and hold a world-wide niche in years to come.

If Olivetti succeeds with its planned strategy, it will become the first and only European office automation equipment maker to stake out a global position.

The principal means of achieving this goal has been the de Benedetti strategy of forming major alliances such as the December 1983 alliance with AT&T (under which the U.S. telecommunications giant took 25 per cent of Olivetti with an option to control 40 per cent in 1988) and last week's new partnership with Toshiba (under which the Japanese office automation group with \$1.5bn of sales is buying 20 per cent of Olivetti Japan and the two companies are planning to enter other markets in Asia and Europe).

In addition, Xerox recently joined AT&T as the second major group to sell Olivetti personal computers in the U.S. market.

Now that the Toshiba deal has been announced, providing the vital Asian third leg of a triangular global strategy which takes in Olivetti's home strength in Europe and its need to penetrate the U.S. market, important questions must be faced. Are these joint ventures profitable enough to achieve Sig de Benedetti's declared policy of being among the world market leaders in office automation? Do they amount to genuine partnerships with technology sharing and product development? Or are they just a series of dressed-up supplier agreements for Olivetti? Is Olivetti's dash for growth in the volatile market for personal computers (which this year is likely to account for little more than a fifth of Olivetti's market by sufficient emphasis on the other elements of office automation, such as software and communications technology?

These are make-or-buy issues for Olivetti, a group which in 1978 (when Sig de Benedetti arrived as chief executive and 15 per cent shareholder) was a loss-making and debt-laden company with a negative book value. Last year, Olivetti achieved record net income of L566bn (\$183m) on record group sales of L4,578bn (\$2.3bn). Total debt today represents only one sixth of Olivetti's L1,968bn equity base.

The impressive turnaround accomplished since 1978 is the key to appreciating the de Benedetti capacity to think the industrially unthinkable. Since he took over, Olivetti has boosted capital through six share issues in five years, laid off more than 15,000 workers, increased spending on factory automation, dramatically reduced debt and aggressively marketed products including electronic typewriters.

The next major turning point came with the AT & T alliance, in which the de Benedetti team demonstrated its awareness that even as a manufacturer with a broad line of personal computers, word processors, banking terminals, typewriters, cash registers and more, Olivetti would have been relegated to eventual obscurity without a

mutual moral support in a notoriously nerve-racking profession.

An idea mooted 12 months ago to form some kind of club has developed into a fully-fledged Channel Islands Forex Association which is to be launched on May 31 with 120 members.

The seven-man committee, headed by two top officials—Jersey's economic adviser, Colin Powell, and Guernsey's recently-appointed banking supervisor, Richard Whitford to explain why the move should be good for the islands.

Committee member, Paul Mathews, dealer with the Guernsey subsidiary of a Dutch bank, Pierson Holding and Pierson, thinks the association will help to show a sometimes sceptical international market that the Channel Islands are not just the home of nameplate banks but "a real money centre."

Mathews reckons there are about 60 banks in the islands trading on a substantial day-to-day basis in at least six or seven major currencies and a score of minor ones.

The rise of feminism, I thought, would have diminished such traditional domestic pursuits as knitting. But no: "Sewing may be looked on as a chore, but knitting is regarded as a craft and is enjoying a worldwide boom," says Robin Baxter.

Baxter is marketing manager of Henry Milward & Sons, a Midlands-based subsidiary of Coats Patons, which produces 1.5m knitting needles a week. It exports 72 per cent of its needles—made either from aluminium or plastic—to 67 different countries, but mainly North America and Europe.

Now it has penetrated the

OLIVETTI'S GLOBAL STRATEGY



The key men at Olivetti: (centre) Sig Carlo de Benedetti, 50-year-old chairman and chief executive who arrived in 1978; (right) Sig Elserino Pini, 52-year-old Vice-President for Strategy who has been with the company for 31 years; and (left) Sig Vittorio Levi, 47-year-old Vice-President for Operations, who has been with Olivetti since 1963

The dash for growth — and the risks

By Alan Friedman in Milan

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"Our options were to give up and sell the company or form a partnership. So in early 1983 I telephoned Mr. Charlie Brown (AT & T chairman) who I didn't know personally and I told him I had made a proposal. I went to the U.S. to visit him and we had breakfast together and he indicated his interest in a partnership and at the end he said: 'I think this makes sense. We should explore it.'" Sig de Benedetti recounts.

But was AT & T, a lumbering ex-manufacturer which is still largely in telecommunications rather than office equipment, the desirable partner? Sig de Benedetti answers with a question: "Who else was there? Who would you have chosen?"

Then, showing his own thinking on joint ventures, he adds: "I don't believe in marriages unless both parties have an

interest." The mutual interests do exist: AT & T needed a personal computer line and the IBM-compatible Olivetti PC34 filled the bill. Olivetti needed the telecommunications part of the office systems package and U.S. distribution. It also needed the U.S. volume—the company still derives only 10 per cent of group revenues from North America.

The volume has come according to Sig Vittorio Levi, vice-president for group operations, AT & T last bought \$160m of PC34 computers to sell as the AT & T PC-6300 in America. This year, the transfer price value should be \$300m and in 1985 between \$300m and \$350m.

But analysts in the U.S. say the PC 6300 is not selling well and claim that AT & T lacks market credibility.

Mr Frederick Withington, Boston-based vice-president of Arthur D. Little, says the PC 6300 "has done badly."

Ms Linda O'Keefe, associate director of Datquest's market research office in San Jose, says the problem is that AT & T is busy promoting its Unix multi-user system, whose software package is not compatible with the PC34. For this reason she reckons that "AT & T does not have a marketing presence in Corporate America which allows it to move personal computer products such as the PC 6300."

Olivetti answers these criticisms by saying the orders for AT & T are flowing in (although it says it cannot comment on how the PC 6300 is selling).

For Mr Withington and other analysts, the crux of the problem is that while Olivetti has done wonderfully well in building low-priced quality products, there is a lack of software.

The lack of software

is all the more important as Sig de Benedetti says, "Our future is not to sell pieces, but to solve problems with complete office systems."

Likewise, it is not yet known how much AT & T know-how is flowing to Olivetti from the famous Bell Laboratories, or how quickly AT & T communications technology is being built into Olivetti's product line. Olivetti itself last year spent L228.5bn (\$115.4m) on R. and D. equivalent to 5 per cent of total revenues. While Olivetti regards this as a healthy level, it does not compare well with the kind of R. and D. expenditures being made by other European com-

panies such as ICL (10 per cent of turnover), Group Bull (14.2 per cent) or Nixdorf (9.3 per cent).

Datquest is forecasting an average 20 per cent annual decline in personal computer prices over the next few years. It also notes that whereas in 1978 the average product life on the market was four years,

at present it is down to two years. By 1988, Datquest says the product life will be 18 months. These stark forecasts explain why Olivetti is racing to achieve as much volume as possible and has invested to produce up to 1,100 personal computers a day.

Olivetti denies charges that its management contracts with AT & T are inadequate. Sig Pini, for example, is constantly travelling between Ivrea and New York. But on June 1 Olivetti is sending Sig Vittorio Cassoni, at present group marketing head, to open a new office in New York. His brief is to pull together the various strands of what he calls "our divided presence in the U.S. market. This will mean closer liaison with AT&T and Xerox."

It also means working with the 40 per cent-owned Docutel, which Olivetti hopes to take 100 per cent control of through an offer to shareholders worth \$20.2m.

Back in Europe, where Olivetti remains the market leader in typewriters (with around 35 per cent of the market) and a major force in office automation, Sig de Benedetti stresses the need for continuous growth. Last year sales in Italy accounted for just above a third of group sales. Europe, which represented 72 per cent of Olivetti's group sales, at a time when many European companies are in retreat, even losing market share at home, Olivetti is forging ahead.

The U.S. is important, but Sig de Benedetti predicts that by 1990 it will account for only around 15 per cent of (larger) group sales. In Europe, last week's acquisition of 40 per cent of the Munich-based Stent computer retail chain was the latest step in Olivetti's plan to operate a Europe-wide retail network (it already has chains in the UK and Italy).

There is more to the European strategy, however, than rule out the prospect of a Xerox-type marketing arrangement in Europe, perhaps manufacturing for another company. The recently launched videotewriter is pitched for the European market. Olivetti reckons the market for this intermediate-stage product will reach \$1bn by late 1986. In Britain, Olivetti hopes next year to begin selling AT&T's PABX (private telephone switching) network. In addition, Olivetti is also developing ties with more than 30 high technology companies in both Europe and the U.S., through its venture capital investment subsidiary.

As far as Olivetti is concerned, the strategy of achieving international volume and market penetration through joint venture alliances "may entail certain risks, but it is the only alternative available. The key risks would appear to be a loss of direct control over the technology, the U.S. market, and the danger of becoming known in the U.S. or Japan as an 'Olivetti' or 'more' than 'Italian supplier' of AT&T, Xerox or Toshiba."

It is reasonably assumed that Olivetti is already considering these risks, which can be ignored only at the company's peril. But in trying so many different options to achieve its ends, Olivetti is, as Sig de Benedetti admits, indulging in a bit of gamble in its strategic planning.

The rewards can be high indeed, but so are the risks.

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The AT & T deal came after Olivetti tried and failed for 30 years to penetrate the U.S. market. The most recent error was the 1982 merger of Olivetti's U.S. subsidiary and Docutel, a Texas-based bank automation company. Docutel has been plagued by management troubles and severe losses (\$41.8m on \$163.8m of sales last year).

Sig de Benedetti makes no bones about the situation in the U.S. "After many unsuccessful ventures, which I have to admit I am not proud of, we were not able to solve the problem in the U.S."

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But analysts in the U.S. say the PC 6300 is not selling well and claim that AT & T lacks market credibility.

Mr Frederick Withington, Boston-based vice-president of Arthur D. Little, says the PC 6300 "has done badly."

Ms Linda O'Keefe, associate director of Datquest's market research office in San Jose, says the problem is that AT & T is busy promoting its Unix multi-user system, whose software package is not compatible with the PC34. For this reason she reckons that "AT & T does not have a marketing presence in Corporate America which allows it to move personal computer products such as the PC 6300."

Olivetti answers these criticisms by saying the orders for AT & T are flowing in (although it says it cannot comment on how the PC 6300 is selling).

For Mr Withington and other analysts, the crux of the problem is that while Olivetti has done wonderfully well in building low-priced quality products, there is a lack of software.

The lack of software

is all the more important as Sig de Benedetti says, "Our future is not to sell pieces, but to solve problems with complete office systems."

Likewise, it is not yet known how much AT & T know-how is flowing to Olivetti from the famous Bell Laboratories, or how quickly AT & T communications technology is being built into Olivetti's product line. Olivetti itself last year spent L228.5bn (\$115.4m) on R. and D. equivalent to 5 per cent of total revenues. While Olivetti regards this as a healthy level, it does not compare well with the kind of R. and D. expenditures being made by other European com-

panies such as ICL (10 per cent of turnover), Group Bull (14.2 per cent) or Nixdorf (9.3 per cent).

Datquest is forecasting an average 20 per cent annual decline in personal computer prices over the next few years. It also notes that whereas in 1978 the average product life on the market was four years,

at present it is down to two years. By 1988, Datquest says the product life will be 18 months. These stark forecasts explain why Olivetti is racing to achieve as much volume as possible and has invested to produce up to 1,100 personal computers a day.

Olivetti denies charges that its management contracts with AT & T are inadequate. Sig Pini, for example, is constantly travelling between Ivrea and New York. But on June 1 Olivetti is sending Sig Vittorio Cassoni, at present group marketing head, to open a new office in New York. His brief is to pull together the various strands of what he calls "our divided presence in the U.S. market. This will mean closer liaison with AT&T and Xerox."

It also means working with the 40 per cent-owned Docutel, which Olivetti hopes to take 100 per cent control of through an offer to shareholders worth \$20.2m.

Back in Europe, where Olivetti remains the market leader in typewriters (with around 35 per cent of the market) and a major force in office automation, Sig de Benedetti stresses the need for continuous growth. Last year sales in Italy accounted for just above a third of group sales. Europe, which represented 72 per cent of Olivetti's group sales, at a time when many European companies are in retreat, even losing market share at home, Olivetti is forging ahead.

The U.S. is important, but Sig de Benedetti predicts that by 1990 it will account for only around 15 per cent of (larger) group sales. In Europe, last week's acquisition of 40 per cent of the Munich-based Stent computer retail chain was the latest step in Olivetti's plan to operate a Europe-wide retail network (it already has chains in the UK and Italy).

There is more to the European strategy, however, than rule out the prospect of a Xerox-type marketing arrangement in Europe, perhaps manufacturing for another company. The recently launched videotewriter is pitched for the European market. Olivetti reckons the market for this intermediate-stage product will reach \$1bn by late 1986. In Britain, Olivetti hopes next year to begin selling

Letters to the Editor

Real wages and employment

From Lord Kaldor.

Sir,—It is difficult within the confines of a letter to deal with the many points raised by your correspondents in response to my letter on wages councils (May 15). I shall confine myself to what I regard as the most important points.

It is generally agreed among economists that in any optimal situation, wages (of any particular grade of labour) in a particular industry are the same for all workers, i.e. that there is no "exploitation" of labour in the sense that on account of imperfections in the labour market, some employers manage to pay less for labour of the same productivity than others. This makes for a sub-optimal use of resources: inefficient firms, which would not survive in a perfect market can "muscle in" and thereby reduce the level of industrial efficiency. It was generally recognised (at least since Marshall wrote on the subject) that the social advantage of unionisation and collective bargaining is to prevent the exploitation of labour in this particular sense, i.e. to compel all employers to pay the same wage for the same labour. This means that if the "marginal worker" is paid higher wages on account of an increased demand for labour, the rise should extend to all workers and not be confined to those additionally employed. This advantage is confined to the power of the unions to prevent the exploitation of labour by "bad" employers. It does not extend, of course, to the enhanced power of unionised labour (real or fancied) to raise wages in excess of the rise in productivity.

It was recognised by the

Liberal Government of 1906 that there are some trades where one cannot rely on unionisation to do the job of eliminating the exploitation of labour. These are likely to be the trades where wages are particularly low and where immigrant labour (more open to exploitation) is likely to be important. (Hence my somewhat misunderstood reference to Russian emigrants in the East End of London clothing trade.) It is for such trades that the Trade Board Act of 1909 established "boards" (which came to be called "wages councils") initially for four trades (which included ready-made and wholesale bespoke tailoring) and was later extended to many others in the Act of 1912. This Act explicitly recognised "inadequate organisation of workers or employers" as justifying the establishment of a board with powers to fix minimum wages. While at one stage (in 1918) 44 such "boards" were in existence at present they extend to less than 10 per cent of employees, and as one of your correspondents points out, only 4 per cent of firms took the view that wages councils represented a burden on business.

But the chief error, underlying the views of most of your correspondents, lies in the philosophy of Mrs Thatcher (and presumably of Mrs Thatcher) according to which unemployment is due to wages being too high. As against that all statistical evidence (since 1885 at any rate) shows that real wages and employment are positively correlated, not negatively. (Professor) Nicholas Kaldor, King's College, Cambridge.

Government IOUs and pensions

From the General Secretary, General Municipal, Solihull and Allied Trades Union.

Sir,—The discussion in your columns about the difference between the transfer of current income to pensioners through the National Insurance system and the sale of Government IOUs raises an interesting point.

A person who expects to get a pension through the state earnings related pension scheme and one who expects a pension because he is a member of a pension fund which has put its money into gilts are both effectively relying on Government promises. The only difference, surely, is that in the

former case the Government thinks that it can get away with reneging on its promises while in the latter case it does not.

It is a curious irony that this Conservative Government is about to attempt what may well be the largest expropriation ever undertaken in peacetime, without a political revolution. One wonders what the reaction would be if a Government of another persuasion attempted to nationalise all occupational pension funds without compensation; a roughly equivalent measure.

David Easnett, Thorne House, Rusley Ridge, Claygate, Surrey.



Powdered, flavourless crisps

From Mr J. Phelps

Sir,—Can any reader inform me as to why a packet of potato crisps has, in my opinion, descended to such a low ebb?

When at school my sustenance was supported by a 2d packet of crisps and, if my pocket money allowed, even a second packet to supplement the all too meagre provisions from the school authorities.

The great question of the day for whether I indulged in the luxury either of a 2d "Turk"

or a 2d packet of crisps to fill the void.

Now I pay an inflated price for a plastic packet, which I have great difficulty in opening, filled with powdered potatoes. These have no resemblance. Then, freed, to the appalling flavour to the taste buds, provided by the crisps supplied during the 1920-30 decade.

J. R. Phelps, The Mount House, Sharnbrook, Bedford.

Claims against surveyors

From the Managing Director, RICS Insurance Services.

Sir,—In his letter on claims against surveyors (May 16) Mr. Hingworth makes the point that RICS Insurance Services seeks signed discharge form from claimants. This is common practice in insurance.

The discharge form is sometimes questioned and revisions may be made. But the signing of the form is only requested when the dispute giving rise to the claim has been resolved by both parties. From examining the claim file relating to Mr. Hingworth's letter, it appears that a revised

discharge form will be signed.

Why do we seek a discharge at all? It is because it is our duty as insurance brokers to protect the surveyor (our client) as far as possible from a continuing string of claims arising from the same survey. Unfortunately, some members of the public regard the completion of a survey as tantamount to effecting all risks insurance on the premises surveyed. This is, of course, not the purpose of a survey and if such protection is required a defects insurance policy should be taken out. A. P. Sparks, 31-35, Fenchurch Street, EC3.

Totally unlimited liability

From Mr M. Frankel

Sir,—While one is continually reading about the very heavy claims being made against major professional firms, one is reminded that the concept of unlimited liability for partnerships derives from the venturesome nature of corporate entities as they were envisaged to be in the 18th and 19th centuries.

There does not seem to be any valid reason why professional firms should not be incorporated bodies who in addition to filing accounts would need to disclose the amount of their insurance. By all means let the eligibility

of directors be confined to membership of professional bodies representing the profession of the firm, and indeed the same restrictions could also be extended to shareholders.

It seems unrealistic that, in an era of international business, firms should face totally unlimited liability when similar burdens are not placed upon directors of companies unless they are trading fraudulently. M. R. Frankel, La Haniere Farm, Rozel, St Martin, Channel Islands.

Early bird catches the cliches

From the Managing Director, TV-am

Sir,—In his piece "Early bird catches the cliches" (May 15) Christopher Dunkley, your TV reviewer, makes it abundantly plain that he does not like breakfast TV, and with the degree of prejudice he displays, it would plainly be impossible to change his mind on the subject.

In writing his "assessment" of the performance of TV-am, however, he makes a number of unfair and inaccurate assertions that cannot go unchallenged. The overall approach of his piece appears to be dictated by the phrase "TV-am's figures have been achieved by plunging down market". It certainly is a fact that TV-am is popular—it now has 65 per cent of the viewers at this time of morning and is watched by 14m people a week. But it has not achieved this by going "down market", whatever the phrase may mean.

TV-am does not have "a parasitical dependence on Fleet Street", nor is it "down market". It is an independent news organisation which each day covers dozens of news stories of every description, devotes a major part of its output to current affairs, and which talks directly to the people in the news. It is, for example, the station which on the day of the ending of the miners' strike, devoted 10 minutes to discussing the dispute and its implications. It is the station which on its own arranged and broadcast an interview with Princess Michael of Kent, and it is the station which, in the aftermath of the Bradford tragedy, devoted 55 minutes to reviewing the tragedy and its implications.

Clearly there are occasions

when stories broken by Fleet Street are followed up by TV-am. That is the nature of news. But, equally, many stories broken by TV-am are followed up by Fleet Street. David Kinnoch, for example, was extensively quoted the following morning in newspapers including the Financial Times. So was his interview with the Bishop of Durham. . . and so on.

Mr Dunkley implies that no one in TV-am is capable of carrying out current affairs interviews. This is patently absurd. Nick Owen and Anne Diamond are both professional journalists who have interviewed hundreds of guests on hundreds of topics, and in so doing have helped clarify issues to viewers. Anne's questioning of Arthur Scargill showed a toughness that few could match, and Nick Owen's handling of the Princess Michael interview earned widespread praise from fellow journalists.

"Good Morning Britain" aims to focus attention on a whole host of topics which interest people—from gardening to cooking and pop, and talks to celebrities and people who are in the public eye. If that is "down market" then so are people's habits. Perhaps Mr Dunkley inhabits a different world from the rest of us.

Mr Dunkley asserts that "TV-am aims determinedly below the vote of every group in Fleet Street." That too is absurd. If it were the case, would TV-am have devoted three hours and 10 minutes to the miners' strike (and in so doing, dozens of live viewers protested that our regular programme was dropped)? The strength of TV-am is that it is populist—but not at the expense of quality. Bruce Graham, Hazley Crescent, NW1.

WITHIN THE inner recesses of the French administration a quiet debate is going on over the future role of one of the institutions that has done most to shape the post-war history of France. The elite Ecole Nationale d'Administration (ENA) has provided the 3,500 people who have staffed the top posts in the public service—the technocrats who can claim much of the credit for the expansion of the French economy in the 1950s and 1960s and who to recent years have been blamed for its problems.

ENA was founded after the war at a time when France was divided and demoralised by the German occupation, when strong government was needed to rebuild the economy and heavy industry, and when a weak private sector looked to the state for guidance. ENA provided the brains behind reconstruction and a stable administrative framework to support it.

But France and the world have in many ways changed faster than ENA. A French private sector which once welcomed the paternalism of the state now chafes at the controls and regulations which enshroud it. The intellectual climate has swung away from Colbertism (Colbert was Louis XIV's Finance Minister) and state intervention and towards decentralisation, deregulation and denationalisation. France needs managers and entrepreneurs. But ENA, its most prestigious higher education institute, is still geared towards the public service—an emphasis that is unattractive to Europe.

Mr Simon Nora, the strong-minded and thoughtful head of ENA, who was once a senior adviser to former Prime Minister Pierre Mendes-France, believes that the liberal shift in France is partly an intellectual fashion. But he adds that "we have certainly reached a turning point in France's attitude to its administration. That is a healthy sign." He links the change to the new emphasis being put on the private sector and the disappearance of the Left's hostility to business.

In his three years at ENA, he has brought in several changes. The 28-month ENA course provides practical training in administrative techniques for would-be Treasury officials, diplomats, prefects and other senior civil service posts. Mr Nora has introduced courses on public management and cost efficiency which are taught by industrial managers or administrators with business experience.

Until the recession brought home the necessity for savings in public expenditure, ENA did not run courses on cost management in the public service. Mr Nora has insisted that the projects on which students work to gain practical ex-



A bust of Jean-Baptiste Colbert in the Louvre: "the intellectual climate has swung away from Colbertism"

France's top civil servants

A turning point for the elite

By David Housego in Paris

perience are of potential benefit to the administration. Thus this year ENA and the civil service have jointly undertaken studies on local authority finance—a subject of current importance because of the Government's decentralisation moves.

He has also tried to impress on students the need for humility and for keeping in touch with public opinion. "I tell them that if they don't listen," he says, "they will be rejected like champagne corks." The most long-standing complaint against ENA graduates—and one that certainly contributed to the downfall of President Giscard d'Estaing, an ENA student himself, in 1981—is their arrogance, their sense of superiority and their "know-all" attitude.

But Mr Nora says that teaching modesty to students who have been so carefully selected can be uphill work. "They now believe that it is the state's job to teach the country how to be more liberal," he says.

One change he did not initiate was the introduction under the Socialist of the special entry scheme for trade unionists. Broadening the intake has been a continuing

objective of the College. But the experiment has proved a failure with diminishing interest among the unions and resentment within ENA that the trade unionists were graded on different criteria from the other students.

But none of these innovations has altered the particular identity of ENA. It is an institution with three specific characteristics: like the Polytechnique, the other major Grande Ecole, ENA's science-orientated sister institute, it ruthlessly selects its students from among the cleverest in France; it provides them with luxurious facilities and a civil servant's salary while they study; and it guarantees them lifetime careers in senior posts in the administration. For those who leave ENA with top marks and enter the Grand Corps such as the Conseil d'Etat or the Inspection des Finances it also provides generous financial independence, even if they decide to leave the civil service.

At least two of these features are unlikely to survive the coming years. The most vulnerable is the privileged system of job guarantee and financial security. Together ENA and the Grand

Corps provide the most effective "old boy network" for placing their members in key posts in the administration, banks and public sector that exists anywhere in Europe. "You can think of me as the head of a Mafia or as a Pope," M. Nora sometimes jokingly tells his friends.

Under the Fifth Republic ENA graduates moved increasingly into politics. Socialist rule has done little to dent their power. M. Laurent Fabius, the Prime Minister, is an ENA graduate, as are M. Michel Rocard, the former Minister of Agriculture, and M. Jean-Pierre Chevènement, the former Minister of Industry, who is now Minister of Education.

Few believe, however, that this system can continue at a time when job insecurity is growing in France and when other privileges including those of the trade unions are under attack. The other area where ENA is vulnerable is in its freedom to select the brightest students. This stems in part from the low standards at French universities. But these are likely to change over the next 10 years as universities for the first time start competing against each other.

There are many ideas about the direction which ENA might now take. One suggestion is to enlarge its role in providing refresher courses for public administrators as well as businessmen—in contrast to the current emphasis on beginnings-of-career training. A model for this in French terms would be the Ecoles de Guerre (the war colleges), which gear their courses to the French military's goal of having a third of its personnel on refresher courses at any one time.

The belief is also gaining ground that a substantial proportion of future ENA students should have the chance of going into business rather than the public service—as more of them are saying they would like to. At the same time senior posts in the public service would be opened up to entrants from business, industry or the universities—thus undermining ENA's monopoly on the upper echelons of the administration.

The important thing, M. Nora believes, is that the state and the business community must work together. He thinks that the Japanese have mastered this relationship but that France has not. Change will in any case come slowly. The public service is now much larger than it was as a result of the nationalisation of the banks and major industries in 1981. Privatisation, as the British experience has shown, will take time. ENA also faces currently record demands from candidates seeking entry. At a time of uncertain job prospects, its reputation for providing a road to the top still carries weight.

The rise in teenage pay

From Dr W. Siebert

Sir,—The view put forward by Samuel Brittan (May 15) that wages councils contribute to unemployment deserves support. My research into the teenage labour market indicates that since 1965 average pay for teenagers has increased at twice the rate of that for adult workers. Teenage wages would be 15 to 20 per cent lower if the same teenage-to-adult wage ratio, ruled now as illegal in the mid-1960s, still applied. At the same time there has been a marked fall in teenage employment. For example there were nearly 1.7m youths aged 16 to 20 in employment in 1965, compared with 1.3m in 1980. Are the rising relative wage and falling employment trends connected?

It is unlikely that the rise in teenage pay has been caused by market forces, for example, by a fall in the supply of young workers relative to the demand for them. Rather, it seems as though teenage wages have been pushed up by outside bodies, primarily by wages councils and trade unions. The market forces were responsible for teenage unemployment would not be so high. Nor would employment have fallen as relative wages rose. Logic points against market forces being responsible for the collapse of teenage minima are set for unskilled workers, and these minima are designed to prevent the market clearing.

The gainers from a high minimum wage are skilled workers (who thereby neutralise competition from unskilled workers), established employers (who might wish to "take wages" out of competition), and the lucky unskilled workers (those retaining a job at the higher wage). The losers are the countless firms which go bankrupt, and those who become unemployed. It is probable that over the 1960s and 1970s there was a shift in the balance of power towards the group of gainers.

Abolition of wages councils

From Dr K. Matthews

Sir,—Lord Kaldor employs some strange economies in his counter (May 15) to Samuel Brittan's article on the abolition of wages councils. His argument is that an unregulated labour market encourages inefficient "parasitical" firms that compete with established ones through the use of cheap labour. Minimum wage regulation forces the inefficient firms out of business enabling the efficient established firms to expand output. It is not surprising that an increase in wages increases productivity (this is what Professor Kaldor means by efficient), this is the natural consequence of substitution, what is not clear is whether Professor Kaldor means that the high productive firms would absorb all labour displaced from the low productive ones. Clearly not. His argument is that the high productive firms would expand output and employment over time.

This kind of argument is one that is regularly applied to developing countries with surplus labour, suffering savings bottlenecks. In the context of Professor Kaldor's example, the increase in employment by the high productive firms would

still be less than the total employment of an unregulated labour market. Further, through competitive forces wage rates are equalised in a particular industry or both high and low productive firms manage to co-exist as in the dualistic industrial structure of many developing countries.

Professor Kaldor seems to miss the point of Samuel Brittan's article, which is that high productive firms may increase the employment of high productive workers over time but does nothing to low productive (unskilled, etc.) workers. The point about abolition is that it does something about unemployment in the low skilled, low productive areas, now!

On the subject of historical precedent, Professor Kaldor could do well to look at an article by Henry Clay, "The public regulation of wages in G. Britain" (1929), in which he argues that the existence of minimum wage rulings during the 1890s had broken the natural plasticity of wages in response to unemployment. (Dr) K. G. P. Matthews, University of Liverpool, P.O. Box 147, Liverpool.

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Growth of UK output confirms buoyant outlook

By Max Wilkinson in London

BRITAIN'S national output continued to grow at an underlying annual rate of 3 per cent in the first quarter of 1985, according to official estimates published yesterday.

They showed growth of 4 per cent in national output in the first three months of this year. The index of output for the first quarter was 107.7 (1980=100), 2.3 per cent higher than 12 months earlier. After adjusting for the continuing effects of the year-long coal miners' strike, however, underlying growth over the 12-month period was estimated at nearly 3 per cent.

The figures confirm the generally buoyant picture of the UK economy shown in recent surveys of manufacturers by the Confederation of British Industry. These have indicated that optimism has been rising, that exports and order books



have been improving quite rapidly and that output is also increasing.

Yesterday's figures also suggest that the Central Statistical Office's prediction that the economy would slow down this spring was wrong.

Britain's Conservative Government will now be hoping that the normal business cycle will be less pronounced as a result of its tight financial strategy, although some slowing down of growth seems probable if world trade becomes more sluggish.

The present recovery phase of the UK economy, which started early in 1981, is already the longest since the second world war, although rates of expansion have been moderate during the period.

National output in the first quarter of 1985 was 10.3 per cent higher than in the first quarter of 1981, representing an average annual growth rate of 2.6 per cent in the recovery phase. Output is now 4 1/2 per cent higher than it was for the average of 1979, when the economy was at its last cyclical peak.

Excluding North Sea oil and gas, however, growth was only 8.8 per cent during the last four years, representing average annual growth of 2.1 per cent.

The non-oil part of the economy is only 2.2 per cent larger than it was in 1979. In that period oil and gas extraction has risen by 127 per cent. North Sea production rose by 46 per cent in the four years to the first quarter of 1985.

The output measure of gross domestic product (GDP) continues to diverge from estimates based on total national income and on national expenditure. In theory all three should be the same.

The income measure suggests, however, that the UK economy has grown by 12 1/2 per cent in the last four years - suggesting an average annual growth rate of 3 per cent.

The Treasury measures the growth of the economy by averaging all three measures of GDP, but income and expenditure data are not yet available for the first quarter of this year.

The statistical office said yesterday that the effects of the coal dispute are estimated to have reduced output by 1 per cent in the first quarter of this year, against a reduction of 1/2 per cent in the first quarter of 1984 and of 1/4 per cent in each of the following three quarters.

France may allow banks to issue perpetual bonds

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

FRENCH banks may shortly be allowed to issue perpetual bonds similar to those issued by UK banks as a means of raising additional capital from the private sector.

The French banking authorities are understood to be on the point of authorising the first issue by one of the large state-owned banks.

The bonds would give banks an alternative to the *titres participatifs* as a means of tapping the debt markets. Banks have complained that the *titres* are too expensive, and they have been casting around for new instruments.

The first issue is expected to be by Société Générale, according to bankers in Paris. The bonds would probably carry warrants entitling

holders to buy *certificats d'investissement* in the bank. These are non-voting preference shares that banks are allowed to sell to investors wanting a direct stake. Société Générale was the first French bank to tap this market with a FFr 800m issue last November.

The warrants would differentiate the French issues from the British. But the warrants may be necessary to attract investors to a novel form of investment. At the moment, bankers are not certain that perpetual bonds would find a ready market without some added inducement.

The bonds would also be issued on the French domestic capital markets rather than the Euromarkets,

and be denominated in francs. The UK issues were all launched on the Euromarket, in dollars until yesterday's Eurosterling issue by Standard Chartered.

According to French bankers, the Banque de France is willing to recognise the perpetual issues as primary capital so long as they carry certain conditions, including their subordination to other obligations of the issuing bank, and the freedom of the bank to suspend interest payments if necessary.

French banks are all supposed to raise their capital resources to the equivalent of 5 per cent of their assets within the next few years. None of the major banks is at this level yet.

Standard Chartered launches record Eurosterling issue

BY MAGGIE URRY IN LONDON

STANDARD CHARTERED, the British-based international bank, took the recent fashion for perpetual floating rate notes a stage further yesterday by launching the first such issue in the Eurosterling bond market.

The issue, which has an initial tranche of £150m with a further £150m worth available to be sold as a tap, is also the largest Eurosterling bond issue yet.

The proceeds will add to Standard Chartered's primary capital because the bonds are similar to equity in that they need never be repaid and in the event of the bank

going into liquidation the debt would rank equal to preference shares.

This follows the same line as the sale of deals seen in the Eurodollar market, one of which was a \$400m issue for Standard Chartered launched on May 3.

The extra capital will be used to strengthen Standard Chartered's UK banking activities. It will increase the bank's free capital ratio - the proportion of freely available capital to total deposits - from 5.9 per cent to 7 per cent.

The deal, which is being arranged by J. Henry Schroder Wagg, the British merchant bank, met a rather

cooler reception than the earlier Eurodollar issues had. These have also slipped back in price as investors begin to wonder whether the risks of buying undated debt are fully compensated by the interest rate offered.

The interest rate on the bonds will be reduced quarterly at a rate of 1/4 of a percentage point above the offered rate for three-month sterling deposits in the London inter-bank market.

The deal was regarded as a good one for Standard Chartered and its shares gained 14p yesterday to 482p on the London Stock Exchange.

Eurobonds, Pages 21, 22

UK export credit guarantees to cost more for risk nations

BY FRANK GRAY IN LONDON

British exporters sending goods to countries which have recently rescheduled their debts will have to pay higher premiums from July 1 for insurance cover from the Export Credits Guarantee Department.

The ECGD said yesterday that the selective increases in short-term and medium-term rates for more risky markets were aimed at boosting the department's premium income by 10 per cent overall and stemming the flow of losses seen in recent years.

In general terms, the increases will affect those companies shipping ECGD-insured goods to countries which have rescheduled their debts in recent years, such as Brazil, Nigeria and Yugoslavia, which have been good markets for British exports but whose finances are particularly fragile. Poland, a continuing drain on the ECGD, is no longer eligible for short-term insurance cover.

Since there will be no premium rise for shipments to non- or low-risk nations, the ECGD confirmed that the actual increases for exporters to debtor countries would be above 10 per cent so as to yield an

overall rise in its premium income of around this figure.

The rates were made necessary because of the continuing sharp climb in the value of claims paid by the ECGD. These are now estimated - at £350m (\$1,000m) for the 1984-85 fiscal year, up from £274m - last year. The consolidated fund balance is forecast at minus £320m, widening from the 1983/84 shortfall of £22m.

The premium rise plan falls into four categories:

● Under comprehensive short-term policies, surcharges of fixed amounts will replace the existing percentage premium surcharges in markets which present a high degree of political risk.

While some exporters will incur lower surcharges, most will pay more. The ECGD argues that the new surcharges will prove more equitable and simpler to calculate than those now applied.

● Annual short-term premium charges are being raised for policies with low turnover as a necessary contribution towards administration costs.

● Rates for short-term credit risk

coverage are being raised for policyholders with poor buyer claims records.

● Premium rates for medium-term business with markets presenting high political risk will be increased by up to 15 per cent with immediate effect for cover under the Buyer Credit and Specific Guarantees system. Rates for low risk markets will not be increased.

In addition, the minimum non-refundable deposit payable on acceptance of an ECGD offer of specific guarantee cover will rise from £250 to £2,000 - or the full amount of the premium payable, whichever is less.

For buyer credit guarantees, the minimum amount payable on signature will be £5,000.

The ECGD says that, at best, the premium rise will result in only a marginal rise in premium income this fiscal year against 1983-84 when it was £177.5m. Premium income in 1982-83 was £348.2m.

It forecast that recoveries against losses should rise sharply to £348.8m in 1984-85, against just £132.7m the previous year.

Wall Street soars and \$ recoups loss

Continued from Page 1

against continental currencies. The Sterling Index against a trade weighted basket of currencies rose by 1 per cent to 19.8 (1975 = 100) during the day in London.

The firmness of sterling encouraged the financial markets, where gilt edged stock prices rose by up to 1/2 point, equity prices were firmer, and the three month interbank interest rate eased by 1/4 of a percentage point to just under 12 1/2 per cent.

Some further easing of the dollar with associated strength of sterling would be a help to the British authorities. They would like to see some reduction of UK interest rates.

Prisoners exchanged

Continued from Page 1

convicted of planting a bomb in Tiberias that killed two Israelis. He was one of 121 Palestinians held back by the Israelis during the November 1983 exchange of 4,500 Palestinians for six Israelis, despite Jerusalem having earlier agreed to their release.

This action by Israel was one of the causes of the delay in negotiating the current swap and the complexity of yesterday's transfer which dragged on all day.

The Palestinians wanted abso-

lutely cast-iron guarantees that there would be no last-minute deviations by Israel from the terms of the deal and the number of prisoners which it had agreed to release.

The most notorious among the prisoners released was Kozo Okamoto, the only surviving member of the three-man Japanese terrorist gang which in 1972 killed 26 people in the passenger hall at Ben Gurion Airport after arriving on a flight from Rome.

Communist purge in UK

Continued from Page 1

shared assumptions and things that can be taken as read.

No one present was in any doubt as to what was going on. The novelty of seeing Eurocommunists adopting the very tactics that initially set them apart from the hardliners may be confusing to outsiders. But few members seem in any doubt that the Eurocommunists, having decisively gained the upper hand, intend to use it.

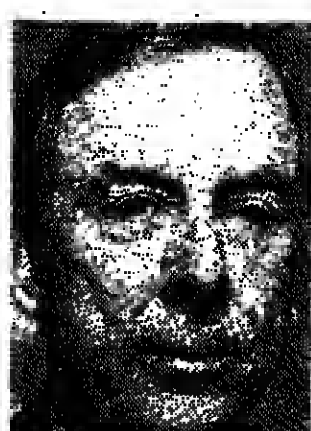
When Mr Gordon McLellan, the party's general secretary, told the hall that "there is no place in the Communist Party for factional activity or those who engage in it," few of the delegates rapturously applauding him read this as anything but a warning.

For the purges are likely to continue. Those expelled include Mr Tony Charter, editor of the Morning Star, and Mr David Whitfield, his deputy. Many of their supporters

are still in the party, but they have been told the terms on which they may remain.

Their chance to fight back comes in three weeks time when the People's Printing Press Society, which owns and controls the Morning Star, holds an annual general meeting. Six of the 18 seats on its management committee are up for election for a three-year term and the Communist Party, which accounts for 90 per cent of PPS membership, is determined to secure them for Eurocommunists as the first step in a two-year battle for control.

The PPS is determined to match the new-style Eurocommunist tactics. To begin with, it is holding the annual meeting on June 9 in only three regional centres, instead of the more usual six or seven. This could make it very difficult for Communist Party members to arrive in time to vote.



Mr T. Boone Pickens

Pickens tries to cut his losses on Unocal

By William Hall in New York

MR T. BOONE PICKENS, one of Wall Street's most feared corporate raiders, was locked in negotiations yesterday in a bid to cut his losses on his \$1.2bn stake in Unocal following the surprise Delaware court decision excluding him from the West Coast oil company's share buy-back offer.

Unocal, which has been desperately trying to avoid being taken over by Mr Pickens's investor group, asked for its shares to be suspended yesterday before trading began on the New York Stock Exchange.

It said that it was in negotiations with Mesa Petroleum, Mr Pickens's master company, "with respect to the termination of Mesa's offer for Unocal and the acceptance of Mesa's Unocal shares into Unocal's offer."

Mr Pickens had offered \$54 per share cash for 60m Unocal shares, which would have given him majority control.

Unocal said that, regardless of the outcome of its negotiations with Mr Pickens, it is going ahead with its rival buy-back offer and will be accepting 50m shares from its shareholders other than Mesa. Unocal has offered to swap 28 per cent of its equity for a \$3.6m package of securities worth \$72 per share.

Wall Street analysts believe that, when this offer is completed, the value of the residual 123m Unocal shares will drop by \$10 or more from their current level of around \$46.

Mr Pickens's investor group controls 23.7m shares which it bought at an effective average price of around \$48 per share. Since the Delaware court has upheld Unocal's decision to refuse to accept Mr Pickens's shares under its offer, he stands to lose several hundred million dollars on his stake.

Mr Pickens has mounted several highly profitable raids on U.S. oil companies over the last couple of years, netting him and his associates more than \$10m in profits. As a result, there is one school which says that Unocal should exploit its bargaining power and make an exhibition of Mr Pickens's defeat.

However, other observers, noting Mr Pickens's reputation for being a shrewd gambler, warn that he should not be underestimated even when he appears most vulnerable.

They believe Unocal will make peace with Mr Pickens.

Chevron oil deal runs out of time

By William Hall in New York

CHEVRON'S plans to sell its Italian refining and marketing operations to First Arabian Corporation, a Saudi-backed company headed by Mr Roger Tamraz, have collapsed.

Chevron issued a brief statement from its San Francisco headquarters yesterday saying that the time limit mutually agreed upon for First Arabian to complete the necessary arrangements for the purchase has expired. As a result, Chevron no longer expects to conclude the transaction.

News of the proposed deal was first announced last February when Chevron said it had reached a basic agreement but the terms were not disclosed. Under the deal, First Arabian was to acquire Chevron Oil Italiana, an operation employing 780 staff. Its primary interests are a 22.5 per cent share in a 37,500 b/d refinery in Rome, a lube oil blending plant in Savona and about 1,700 service stations.

The proposed deal also included the sale of Chevron's 23.5 per cent equity interest in the 215,000 b/d Sarpom refinery near Milan to First Arabian. The sale of Chevron's interest in Sarpom was subject to the right of first refusal of Sarpom's other stockholders.

THE LEX COLUMN

Wrapping-up at Polly Peck

The perverse yet irrepressible nature of dollar speculation was never more in evidence than yesterday. Marked down sharply in Europe as a reaction to the Federal Reserve's cut in the discount rate, the dollar found it easy to climb again on the back of short-covering and a surging New York bond market. Adding to the irony, the bond markets seemed to take heart from indications that the U.S. economy is indeed slowing down - despite the Fed's loosening moves; just a few weeks ago, only signs of continued growth could satisfy international markets that the dollar was still worth holding.

Polly Peck

Polly Peck was far so long treated as a convenient fiction - traders acted on the assumption that there had to be something there to support serious turnover in the shares - that it must have taken many brokers by surprise to return from Turkey earlier this month having seen that there was a real business to be reckoned with. Given that half the City of London made the pilgrimage, it says quite a lot for Polly Peck that in the intervening weeks the shares have remained so solid.

It says just as much about the City's scepticism that the valuation of Polly Peck after that collective experience is still - at 272p a share - rather less than four times the company's probable earnings for this year. A number of nagging doubts do, however, seem to have been resolved. After its successful rights issue, Polly Peck seems to have its investment programme well in hand. If the target of doubling its fruit-packing capacity this year is demanding, it may yet be attainable; in any case the necessary plant is going up, and much of it should be in place for the peak citrus-shipping

season towards the end of the year. Similarly, the production of colour television and video should now approach more efficient levels and improve margins; this activity alone could well put £10m into pre-tax profits this year.

The health of the enterprise seems to depend quite critically on its political niche in the Turkish economy. Its costs are largely in Turkish currency, and its receipts come in a useful range of border currencies. At the same time, it has been able to raise equity in London to deploy in parts of Turkey so remote - like Niksar - that even the recent analysts' jaunt could not reach them. The return on sales - despite a little margin pressure from the higher dollar cost of cardboard - remains close to 40 per cent, and the growth prospects in markets that are still under-developed cannot be denied.

Yet the risk of things going awry if the political regime were to change - or Mr Nadir to lose favour - is obvious. For the shares to reach even half the average market rating may take more than good results - and there were people yesterday who found £28m just a touch disappointing.

ABF

The problem with Associated British Foods is that the market finds it about as exciting as a British Rail sandwich. Not that its trading performance disappoints; trading profits for the year to end-March 1985 were 18 per cent ahead. But the shares lost 6p to 228p on the news that Mr Weston has managed to earn less on his £200m cash pile in 12 months than he did the previous year in only nine. The company is substantially undergeared and though it professes an interest in acquisitions, it has sat on the cash

for the last 18 months without coming up with any goods.

To be fair, ABF knows it cannot buy anything in related fields in the UK without running up against monopoly problems. And had it bought a company in North America, where it would like to expand, its success rate of £1.15, analysts might have been equally unhappy. Nor can Mr Weston's "disposal strategy be faulted - the sale of his South African subsidiary just before the recession showed immediate timing.

So far as trading goes, the UK manufacturing and retailing divisions made all the running during the year, since Australia's underlying growth was wiped out in translation. UK milling was particularly successful, thanks to a good harvest producing higher-quality wheat than usual. Although ABF managed to put 2p on a last December's supermarket shares, it has clawed much of it back in discounts. Fine Fare, meanwhile, is starting to get its act together, though its margins will have nothing on J. Sainsbury today. But volume growth of 3.5 per cent and an 18 per cent increase in trading profits on fewer square feet is impressive nonetheless.

This year, more high-quality wheat has been planted in the UK, which bodes well for milling. ABF will have to buy less wheat at higher prices from the U.S. And the market seems happy with prospects for the retail industry. In other areas, there are still rationalisation benefits to be reaped and fewer costs to be paid. But until ABF shows it is willing to take the occasional risk with its money, its shares will only plot on a rating of less than 10; a humble score for a company whose profits have a 30 per cent UK retail content.

Progress Report No. 16 from

Britain's No.1 manufacturing exporter

China signs for ten BAe 146 jetliners, valued at \$150,000,000

China has signed a Memorandum of Understanding for the purchase of ten BAe 146 jetliners, valued at \$150 million. This follows the 146 demonstration tour in China in July 1984 and strengthens links begun in 1961 with the sale of Viscount turboprop airliners and continued through the 1970s with Trident jetliners. Orders and options for the 146 now total nearly 90 aircraft with a value of over \$1,350 million.

BAe wins maritime communications satellite contract

INMARSAT, the International Maritime Satellite Organisation, which already operates two MARECS satellites built by BAe, has awarded a \$150 million contract for three new satellites for its second-generation global maritime communications system. BAe will carry out some 34 per cent of the work, the rest being shared by companies in the USA, France, Germany, Holland and Italy. Options for a further six satellites could bring the total programme value to about \$400 million.

Tri-national missile programme enters new contract phase

The prime contract for the 2-year definition phase of ASRAAM - the Advanced Short-Range Air-to-Air Missile being developed for the UK, German and Norwegian armed forces - has been placed with BGG, the joint company formed by BAe and Bodenseewerk Geratetechnik of Germany. Major sub-contracts are expected to be placed shortly with the participating companies in all three countries.

BAe opens new high-technology facilities

Advanced new high-technology facilities, representing an investment of £5.5 million, have been opened at two BAe sites. The £1.5 million acoustic and environmental test centre at Hatfield will be used primarily for development of air-launched missiles and other aerospace applications but also forms part of services offered to industry at large. At Plymouth, a £4 million Engineering Facility will be used mainly for testing, design, development and assembly of electronic and optical systems associated with BAe missile programmes.

More examples of how British Aerospace's unequaled experience in hypertechnology is helping Britain to stay a world leader.

BRITISH AEROSPACE

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World Weather

Location	Temp	Wind	Cloud	Temp	Wind	Cloud	Temp	Wind	Cloud
Amsterdam	10	10	10	10	10	10	10	10	10
Antwerp	10	10	10	10	10	10	10	10	10
Birmingham	10	10	10	10	10	10	10	10	10
Bombay	10	10	10	10	10	10	10	10	10
Buenos Aires	10	10	10	10	10	10	10	10	10
Calcutta	10	10	10	10	10	10	10	10	10
Cardiff	10	10	10	10	10	10	10	10	10
Cebu	10	10	10	10	10	10	10	10	10
Dublin	10	10	10	10	10	10	10	10	10
Edinburgh	10	10	10	10	10	10	10	10	10
Hong Kong	10	10	10	10	10	10	10	10	10
London	10	10	10	10	10	10	10	10	10
Lyons	10	10	10	10	10	10	10	10	10
Manila	10	10	10	10	10	10	10	10	10
Mumbai	10	10	10	10	10	10	10	10	10
Paris	10	10	10	10	10	10	10	10	10
Rangoon	10	10	10	10	10	10	10	10	10
San Francisco	10	10	10	10	10	10	10	10	10
Singapore	10	10	10	10	10	10	10	10	10
Sourabaya	10	10	10	10	10	10	10	10	10
Tokyo	10	10	10	10	10	10	10	10	10
Yokohama	10	10	10	10	10	10	10	10	10

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Tuesday May 21 1985

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Maryland to decide on thrift takeovers

THE Maryland state legislature is scheduled to meet today to consider proposals to allow out-of-state banks to purchase some of its privately insured thrifts.

Such legislation would be in addition to seven bills passed in an emergency session of the legislature and signed by Governor Harry Hughes. Mr. Hughes said the bills would be a big step toward ending the crisis that started more than a week ago when depositors began to make big withdrawals from the state's second largest thrift.

The legislation requires the state's privately insured savings and loans to obtain federal deposit insurance.

Eight of the state's privately insured savings and loans, which are operating under emergency restrictions following the runs on deposits, have received conditional approval for U.S. federal insurance. AP-DJ

PepsiCo agrees to sell sporting goods division to Wesray

BY TERRY DODSWORTH IN NEW YORK

PEPSICO, the U.S. soft drinks company, is to sell its Wilson Sporting Goods subsidiary to Wesray Capital, the private investment firm headed by Mr. William Simon, the former Treasury Secretary.

Terms of the deal were not revealed, but the price is believed to be in the region of \$150m, and would not affect PepsiCo's financial results, the company said. Last year, Wilson accounted for about 3 per cent of PepsiCo's sales of \$7.7bn.

The deal comes as part of a long-term reorganisation at PepsiCo in which it has shed businesses outside its drinks and food interests. Mr. Donald Kendall, chairman, said yesterday that the divestment completed the strategic realignment of the company's operations.

"We are now better able to concentrate our financial and managerial resources on the three large

high-growth businesses that have driven our outstanding growth in the past - soft drinks, snack food and restaurants."

Mr. Simon said that Wesray would continue to operate Wilson as an independent company and would be expanding its operations "aggressively" through the development of existing product lines as well as new ones.

"Wilson is an industry leader with a fine reputation and one of America's outstanding consumer product companies," he added.

Wesray Capital, based in New York and Morristown, New Jersey, has acquired 14 companies in recent years with combined revenues in 1984 of more than \$8bn. These include Atlas Van Lines, Gibson Greetings, The Permal Corporation, Wear-Ever Aluminium and Procter-Silex.

Allianz increases dividend by 10%

By Jonathan Carr in Frankfurt

ALLIANZ, West Germany's highest insurance concern, proposes to raise its dividend for 1984 to DM 11 (33.58) from DM 10 per DM 50 nominal share on capital unchanged at DM 50.12m.

The company also said it planned to put DM 140.5m in open reserves compared with DM 148.3m in 1983 but gave no details of its profit.

Allianz has already said group premium income rose by 8 per cent to more than DM 16bn last year. While profits from the insurance business at the parent concern are understood to be down on the DM 182m of 1983, earnings from investment income have been buoyant.

Allianz yesterday also confirmed the plan for a new group structure which will be put before shareholders on June 27.

The present parent concern, Allianz Versicherungs AG, will be transformed into a holding, called Allianz AG, and the direct insurance activities will be transferred to a wholly owned subsidiary.

The new holding, it is believed, will be able to react more quickly in takeover battles, such as that in 1983 for Britain's Eagle Star, and to diversify into non-insurance sectors, like financial services.

Dr. Wolfgang Schiener, chief executive of Allianz, will head the new holding.

Strong growth at U.S. stores

By Terry Byland in New York

MAJOR retailers Carter Hawley Hale and K mart have both received favourable reports on trading in the opening quarter of the year.

A "strong performance" from the department and specialty store operations pushed profits ahead at Carter Hawley Hale - the West Coast store chain. After allowing for the sale of the Waldenbrook division last year, net earnings from continuing operations gained 59 per cent to \$11.1m.

Meanwhile, K mart, the nation's leading discount retailer which bought Waldenbrook from Carter Hawley, pushed sales ahead by 19 per cent to \$4.988bn in the first quarter, although net profits edged up only modestly from \$58m, or 45 cents, to \$58.5m, or 45 cents a share.

K mart earned \$499.1m on sales of \$21.1bn during the fiscal year to January 30 1985.

Men and Matters, Page 18

AUSTRIAN BOURSE INDEX CONTINUES SPECTACULAR CLIMB

Investors have a ball in Vienna

BY PATRICK BLUM IN VIENNA

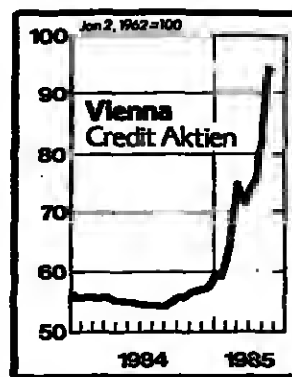
THE VIENNA bourse index has risen by more than 78 per cent in the last four and a half months, from 218.58 at the end of December to 211.23 on May 15.

After a small increase in January, shares rapidly climbed in February, stabilised in March and resumed their upward movement during April with record trading volumes.

The upward trend appears set to continue for the time being, although some analysts suggest that shares could peak in the not too distant future. After years of a semi-dormant existence, the market's sudden awakening has sent a ripple of excitement through the ranks of Vienna's usually phlegmatic banking community and has also spurred demand from Austrian and foreign investors alike.

The index began its climb in the middle of 1982 after having fallen to its lowest level for years. In the first half of 1984 it fell again slightly but resumed a sharp rise in the second half of the year. The trend has accelerated strongly this year.

Dr. Karl Pale, president of the bourse and chairman of the Girozentrale bank, identifies several factors for the change. Foreign investors seem to have been the first to notice that, despite its small size, the Austrian market for shares offered scope for safe and worthwhile investments. Foreign interest in turn spurred demand from traditionally cautious Austrian investors. Discussions about expected new tax reforms in favour of investment in shares - some of which were officially announced at the end of April - and hoped-for new



banks close behind. The share index for three listed insurance companies rose from 189.89 at the end of January to 258.02 on May 15. Share prices for the most popular, Erste Allgemeine Versicherung, have more than doubled from Sch 567 (\$28.25) at the end of December. Some West German analysts believe their real value could be nearer Sch 5,000, but this is regarded as somewhat fanciful by local analysts.

Other star performers include the paper manufacturers Leykam-Murztaler Papier und Zellstoff and Neudorfer für Papierfabrikation.

Out of the 50 Austrian companies listed, all but five have seen the value of their shares rise since the beginning of the year.

In the first quarter of this year shares worth Sch 669m (\$31.5m) were traded on the bourse. The total volume traded, including those traded separately by the banks, rose by 150 per cent from Sch 554m in the first quarter of 1984 to Sch 1,389m in the first quarter of this year - which represents almost 70 per cent of the value of all shares traded for the whole of 1984.

The rush to buy has not abated. "Buyers keep coming. We've had many foreign requests, especially from West Germany," says a bourse official. But potential investors may find that they will have to wait before they can buy as the fortunate few with coveted shares hold on to them. Some officials believe prices have gone up too fast but Dr. Pale remains optimistic. "It is a renaissance for the stock exchange," he says enthusiastically. He admits, though, that the narrowness of the market

is a problem: "We need to broaden the range."

He believes that current buoyancy of the market will encourage more private companies to issue shares. There had been encouraging signs even before the recent surge in prices of growing interest in the bourse, he says, pointing to the listing last year for the first time in 18 years of two new Austrian companies - Maier, R. Markhof, a food manufacturer, and Akustische und Kino-Geräte Gesellschaft (AKG), a leading manufacturer of acoustic equipment. And, he asks, why should not some of the nationalised industries also raise money on the stock exchange. "It would be sensible. They need capital, and raising it this way would save money on the budget," he says.

He hopes the recently announced tax reforms which will effectively abolish double taxation for manufacturing companies from next January will be extended to all companies, including banks.

Politicians and trade unions now acknowledge that profitable companies able to pay out a good dividend and with an adequate capital base can save jobs and create new ones, he says.

Whether the Vienna bubble will burst is an open question. Dr. Pale is confident that the recent interest is not just a flash in the pan. The bourse's surge has prompted the authorities to introduce an official daily index - the indicator was previously computed once a fortnight, at the beginning and in the middle of the month - to complement the two others published daily by the Creditanstalt Bankverein (CA) and the Girozentrale Bank (GZ).

Biogen's Geneva director quits as research spending spirals

BY DAVID FISHLICK, SCIENCE EDITOR, IN GENEVA

DR JULIAN DAVIES, the Welsh-born director responsible for the Geneva operations of Biogen, the genetic engineering research company, has resigned to return to academic research.

His resignation follows that of Dr. Walter Gilbert, Biogen's Nobel prize winning founder and chief executive, who resigned last December after pressure from some of the company's investors.

Some \$217m has been invested since 1980 in the financially troubled research company, which has announced ambitious plans to compete with the multinational drug companies.

Dr. Davies, recruited five years ago from a U.S. university to set up Biogen's first research laboratories, has also resigned from his scientific advisory board. He will remain a full-time consultant to the company until the end of the year.

Professor Kenneth Murray of Edinburgh University, a member of Biogen's scientific and supervisory boards, is shortly to replace him as interim research director in Geneva, pending a new full-time appointment.

Biogen has not yet appointed a full-time chairman and chief executive to replace Dr. Gilbert. But Biogen

denies rumours that it is planning to close any of its laboratories in Europe or the U.S.

Biogen's running costs rose by 49 per cent last year to nearly \$44m, mostly spent on research and development. It has the declared aim of breaking even by 1987.

It has raised more than \$200m in venture capital and research partnerships but has consistently fallen short of its cash-raising targets.

Its objective of breaking even by 1987 leaves Biogen little scientific scope except to concentrate on the development, production and marketing problems of its initial products from genetic engineering.

Those products are expected to include gamma interferon, an associated new treatment for cancer. Dr. Davies, as research director in Geneva, has been Biogen's top executive in Europe and therefore closely involved in the licensing operations which have helped to sustain research revenues.

He was closely involved in negotiating licences for its hepatitis B vaccine - developed from work initiated by Professor Murray - with Wellcome in Britain and Green Cross in Japan.

Dr. Davies said yesterday that growing pressures on Biogen to

show commercial returns for an investment in research exceeding \$100m had made Biogen a less attractive environment to a research scientist.

Dr. Davies believed that the opportunities for Biogen to retain its research at the level at which it began, when first transferring university discoveries to its own laboratories, would be restricted until it was financially healthy.

He said another worry was that, in its quest to make profits soon in order to satisfy its investors, Biogen must neglect the next generation of genetically engineered products, leaving the field to the large drug companies.

Biogen's shares, which have been trading below \$8 on the New York Stock Exchange, rose to \$7 on Friday with news that Schering-Plough and Hoffmann-La Roche had agreed to cross-license their alpha interferon technologies.

Biogen, which carried out the research under contract for Schering-Plough, secured a European patent for alpha interferon, but Genentech in California, which carried out the same line of research under contract for Roche, secured a U.S. patent.

INTERNATIONAL BONDS

Eurobond market at fever pitch

BY MAGGIE URRY IN LONDON

FOLLOWING the discount rate cut by the U.S. Federal Reserve on Friday night, the Eurodollar bond market was at fever pitch again yesterday. Prices were up to one point higher, with a 1/2-point gain the average.

A number of new issues were launched into this strong market. Morgan Stanley, with S.G. Warburg as co-lead, launched a two-tranche issue for British Petroleum which gives the borrower a cheaper funding rate than a conventional issue would.

The first tranche is a \$100m bond which has a final maturity in 1994, but a sinking fund will reduce the average life to 5.7 years. This pays a 10 1/2 per cent coupon and is issued at 100 1/4. Only 20% is due now, with the balance payable on December 20 1993. Fees on this part total 2 per cent.

The second tranche is a zero-coupon issue with a redemption value of \$122.46m in 1995. Issue price is \$38.59 with \$12.09 payable at the outset and the other \$28.50 in December. Fees for this are \$14. Both

BNP Bank bond average			
May 20	Previous	May 20	Previous
102.443	102.299	High	Low
102.890	99.840		

tranches were trading within their fees.

Merrill Lynch launched a \$150m issue for Volvo which has a five-year life but is extendable on new terms to 15 years. The coupon is 10 1/2 per cent and issue price 99 1/4. The deal was moving well and traded around a 1 1/4 per cent discount compared to fees of 1 1/2 per cent.

Another five-year deal, this time not extendable, was launched for EDC, the Canadian export finance body, by Credit Suisse First Boston. The \$100m issue has a further \$200m tap which can be sold during the life of the bonds. The coupon is 10 per cent although issue price is 99 1/4. Commissions total 1 1/2 per cent.

In the floating-rate note market Arab Banking Corporation raised

\$150m through a 15-year issue which pays interest at 1/2 per cent above the six-month London interbank offered rate (Libor). The deal was led by Société Générale, and fees totalled 30 basis points.

There was more action among the latest crop of perpetual floaters, where the bonds would be treated as preference shares in the event of the borrower going into liquidation. Midland Bank's issue, which was rated BBB+ by Standard & Poor's on Friday, settled around \$9.80, still comfortably inside total fees of 65 basis points. Other perpetuals also weakened.

The first sterling-denominated perpetual floater was launched for Standard Chartered Bank, which two weeks ago raised \$400m with a perpetual. However, dealers felt that the market might not yet be ready for this development in sterling, especially as the terms looked tight compared to dollar issues, and the issue got off to a slow start.

The deal, with J. Henry Schroder Wagg as book runner, has a \$150m initial tranche with a further \$150m

on tap, making it the largest Eurosterling issue yet. Interest will be at 1/2 per cent over three-month London interbank offered rate and fees total 80 basis points. At one point the issue was bid outside the fees, but by the close it had recovered to 99.28 bid.

In the European currency unit market Banque Paribas launched a £500m issue for Sanitomo Corporation. The eight-year bonds, which pay a 9 1/2 per cent coupon, met a good reception, trading around 99 1/4 compared to the par issue price.

In the D-Mark bond market Deutsche Bank led a DM 150m fixed rate deal for Hoogovens, the Dutch steel company. The bonds have a 10-year life, and the coupon was set at 7 1/2 per cent with issue price par. The deal traded well at around 99 1/4.

The Swiss foreign bond market was slightly better where changed, with new issue coupons of 5 1/2 or 5 3/4 per cent meeting acceptance.

International bond service, Page 22

Gasunie taps new source for \$200m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

NEDERLANDSE Gasunie, the Dutch gas concern, yesterday launched a \$200m loan facility in the Euromarkets that will allow it to raise funds through the sale of short-term Euronotes or bankers' acceptances.

This is the first time that the borrower has tapped this market, though it is a fairly frequent borrower in the bond market. Bankers say the deal highlights the way in which the emerging short-term paper market is drawing in new customers who had stayed away from old-fashioned syndicated loans.

Led by Citicorp, the deal also has another increasingly common feature in that only half the facility will be backed up with a standby

commercial bank credit. This is a five-year credit with an annual fee of 1/2 per cent, a margin of 1/2 per cent over London Eurocurrency rates and a utilisation fee of 7 1/2 basis points applicable if more than \$50m is drawn.

The structure confirms the trend towards the separation of standby credits from the issuance of short-term paper, especially for top-rated borrowers confident of their ability to sell the paper on their own. Nederlandse Gasunie, which is 50 per cent state-owned (other shareholders are Exxon and Shell), clearly feels able to dispense with full bank backing for its facility.

In a contrasting move Volvo, the Swedish car manufacturer, has

launched a \$150m, 2 1/2-year standby credit with a facility fee of 5 basis points for the first year rising to 6 1/2 points thereafter. The credit, which is led by Enskilda Securities and Manufacturers Hanover, bears a margin of 1/4 point over Eurodollars with an additional utilisation fee of up to 10 basis points, depending on how much is drawn.

The credit is not directly linked to the issue of Euronotes but may be used to back up such an issue at some point in the future.

In a flurry of corporate deals in the Euronote and credit market Eagle Star, the insurance subsidiary of BAT, has meanwhile arranged a \$20m, 10-year loan facility through Country Bank that can be

extended indefinitely at the lender's option. The credit, which bears a margin of 2 1/4 basis points, will be used to finance mortgage lending.

Olivetti, Italy's data-processing and office equipment maker, has also raised \$30m through a five-year bankers acceptance facility with an annual fee of 1/2 per cent.

Moody's, the U.S. rating agency, has followed Standard & Poor's into the business of rating Euro-notes. A statement said it would apply its short-term rating standards to notes maturing in less than 271 days and long-term classification to other notes. The top rating in the two respective categories is Prime-1 and AAA.

Philips deal bolsters software assets

BY LAURA HAUN IN AMSTERDAM

PHILIPS, the Dutch electronics group, plans to take a 50 per cent share in a computer-systems company that is being spun off from the state-owned Limburg Computer Centre (CCL).

The acquisition, which will take effect from January 1 1986, is aimed at strengthening Philips' software development, sales and maintenance activities in the Netherlands. Philips telecommunications and information systems subsidiary has a

three-year option to buy the remaining 50 per cent of the computer-systems company which will be split evenly between the Dutch Government and the Limburg Development Fund, a provincially owned venture capital company.

Philips has been looking for some time to bolster its computer-software activities in the Dutch domestic market. Holland's business-computer market is worth about Fl 2.5bn (\$720m) and will grow an average of 18 per cent a year until 1991, according to International Data Corp., a Dutch subsidiary of the U.S. market research company.

Philips is already involved in computer networking through its Sophomate concept, a software-hardware system that links information-processing equipment of various brands. The CCL computer-systems company eventually could provide resources for the Sophomate concept, which in the future

will be adapted to the Unix operating system developed by American Telephone and Telegraph.

Philips and five other European companies recently agreed to develop common applications software in a bid to counter IBM's growing dominance.

Fokker, the Dutch aerospace group which increased profits strongly for 1984, is to raise Fl 67m (\$19.3m) through a one-for-three rights issue at Fl 110 a share.



BCCI HOLDINGS (LUXEMBOURG) SA

39 Boulevard Royal, Luxembourg

Financial Highlights 1984

Capital Fund	US \$	1,008 million
Deposits	US \$	10,512 million
Loans and Advances	US \$	5,153 million
Total Assets	US \$	14,348 million
Profit before Tax	US \$	277 million
Capital/Assets Ratio		exceeds 7%
Branches and Offices in		70 Countries

Principal Subsidiaries

Bank of Credit & Commerce International S.A., Luxembourg.
Bank of Credit & Commerce International (Overseas) Ltd., Grand Cayman.

Subsidiaries, Affiliates and their branches/offices in the following countries

Australia	France	Jordan	Netherlands Antilles	Sudan
Bahamas	Gabon	Kenya	Niger	Swaziland
Bahrain	Germany (West)	Korea (South)	Nigeria	Switzerland
Bangladesh	Ghana	Kuwait	Oman	Thailand
Barbados	Gibraltar	Lebanon	Pakistan	Togo
Belize	Grand Cayman	Liberia	Panama	Turkey
Brazil	Hong Kong	Luxembourg	Paraguay	UAE
Cameroon	India	Macau	Philippines	United Kingdom
Canada	Indonesia	Malaysia	Portugal	Uruguay
China	Isle of Man	Maldives	Senegal	USA
Colombia	Italy	Mauritius	Seychelles	Venezuela
Cyprus	Ivory Coast	Monaco	Sierra Leone	Yemen (North)
Djibouti	Jamaica	Morocco	Spain	Zambia
Egypt	Japan	Netherlands	Sri Lanka	Zimbabwe



**The Mortgage Bank and Financial
Administration Agency of the
Kingdom of Denmark**

DM 150,000,000
7% Bonds due 1995
Guaranteed by the
Kingdom of Denmark

WESTDEUTSCHE LANDESBANK GROSZENTRALE	WESTDEUTSCHE LANDESBANK GROSZENTRALE	DEUTSCHE BANK Aktiengesellschaft
COMMERZBANK Aktiengesellschaft		
AMRO INTERNATIONAL LIMITED	CREDIT COMMERCIAL DE FRANCE	KREDIETBANK INTERNATIONAL GROUP
PRIVATBANKEN A/S	DEN HAGEN HANDELSBANK A/S	DEN DANSKE BANK
<p>Alm Invest International Company Algemeine Bank Nederland N.V. Al-Mid Group Amdelbank Denmark Asia Banking Corporation – Bank & Co. GmbH Banque Commerciale Luxemburg – "Girobank" – Banque d'Alsace Lorraine Banque de Gotterlie BanqueIndustriel Capital Markets Group Bank of China London Branch Bankiers Trust International Bankhaus G. & W. Schmidt Bank für Gemeinwirtschaft Aktiengesellschaft Bankhaus & Hope HV Bank of Tokyo International Limited Banque Bruxelles Lambert S.A. Banque Paribas de Commerce Exterior Banque Generale de Luxembourg S.A. Banque Indescom Banque Internationale de Luxembourg B.I.L. Banque Nationale de Paris Banque Paribas Capital Markets Banque Paribas Suisse S.A. Luxembourg Banque de l'Union Europeenne Berthelsche Bank AG Limited Baring Brothers & Co., Limited Bayerische Hypothek- und Wechsel-Bank Aktiengesellschaft Bayrische Landesbank Bayrische Landesbank Bayrische Landesbank Aktiengesellschaft Joh. Berning, Gossler & Co. Bergius Bank A/S Berliner Handels- und Finanzbank AG Bankhaus Gotthard Rothemann Bremen Bremer Landesbank Brescheler Bank – Girozentrale – Bourse des Depôts et Comptes Banques Capital Markets Group CIBC Limited Citicorp Capital Markets Group County Bank Limited Creditanstalt – Bankverein Credit Industriel et Commercial de Paris Credit Lyonnais Credit Italiano Credit Suisse Credit Suisse First Boston Limited Deutsche Europa</p>	<p>Den norske Creditbank Deutsche Girozentrale – Deutsche Kommunbank – Die Bank Deutsche Girozentralebank Deutsche Securities Privatbank Limited Deutscher Bank Aktiengesellschaft DSL Bank Deutsche Kreditbank – und Landesbank Effektbank-Währung Aktiengesellschaft Einkaufs-Securities Skandinavisk Enkelt Aktieselskab Europäische S.A. & Europäer Arab Bank Europäer Banking Company Limited Fiduciarbank für Deutsche Sparbanken Aktiengesellschaft First International Limited Fgl International Finance Limited Girozentrale und Bank de Internationalen Sparkassen Aktiengesellschaft Goldman Sachs International Corp. Hambro Bank Limited Hamburger Landesbank – "Girozentrale" – Hessische Landesbank – "Girozentrale" – Hilf Sammel & Co. Limited Industriehank von Japan (Deutschland) Aktiengesellschaft Instituto Bancario San Paolo di Tokio Kasseler Oestere-Punkt Kleber, Bartsch International Limited Kleber, Bartsch Limited Kreditbank AG Korwek International Investment Co. a.s.k. Korwek Investment Company (S.A.) Landesbank Rheinland-Pfalz – "Girozentrale" – Landesbank Saar (Girozentrale) Landesbank Schleswig-Holstein GmbH Lloyds Bank International Limited ITCB International Limited Manufacturers Passover Limited Midland Trust Bank International Limited Merck, Fleck & Co. Merrill Lynch Capital Markets B. Metzger, Nepl, Ruhn & Co.</p>	<p>Mitsubishi Bankers International Limited Samuel Montagu & Co. Limited Morgan Grenfell & Co. Limited Morgan Guaranty Ltd Morgan Stanley International The Union Securities Co. (Europe) Ltd. Nippon Credit International (UK) Ltd. Nippon International Limited Norddeutsche Landesbank Girozentrale Nordwestbank AG Zürich Osterrheinische Landesbank Aktiengesellschaft Sai. Oppenheim Jr. & Co. Orien Royal Bank Limited Pierou, Hekking & Plesman N.V. PK Christiani Bank (UK) Limited Postbank AG N.M. Rothschild & Sons Limited Salomon Brothers International Limited Saxony International Limited J. Henry Schuler Wagg & Co. Limited Schweizerische Eidgenössische Bank Schoenberger, Harris Usham & Co. Incorporated Société Générale Société Générale de Banque S.A. Sprengelbank AG Svenska Förenade Banken Svenska Handelsbanken Group Swiss Bank Corporation International Ltd. Tinkens & Bankhardt Union Bank of Finland Ltd. Union Bank of Norway Ltd. Union Bank of Switzerland (Securities) Limited Veritas- und Wustbank Aktiengesellschaft M.M. Warburg, Robitkorn, Wirtz & Co. S.G. Warburg & Co. Ltd. Wattley Westdeutsche Girozentrale- Zentralbank S.A. Wohlfahrtbank Aktiengesellschaft Wohlfahrt International S.A. World Candy Inc. Wirtschaftsbank Kommunale Landesbank Girozentrale Yamatok International (Europe) Limited</p>



Red Nacional de los Ferrocarriles Españoles

DM 100,000,000
7¼% Bonds due 1995
Guaranteed by the
STATE OF SPAIN

WESTERSCHE LANDESBANK GIRZENTEILE

COUNTY BANK
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CREDIT COMMERCIAL DE FRANCE

DRESDNER BANK
Aktienbesitz

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MERRILL LYNCH CAPITAL MARKETS

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ORION ROYAL BANK
Limited

SWISS BANK CORPORATION INTERNATIONAL LIMITED

BANCO EXTERIOR (SUZA) S.A.

BANCO HISPANO AMERICANO
Limited

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Abel Bank of Kuwait (B.C.C.)

Alqasba Bank Nederland N.M.

Al-Mai Group

Amro International

Limited

Arab Banking Corporation -

Dubaï & Co. GmbH

Arabian General Investment Corporation

Bankhaus H. Aufhäuser

Banca Commerciale Italiana

Banca del Gottardo

BankAmerica Capital Markets Group

Bank of China London Branch

Bank für Gemeinwirtschaft

Allgemeinbank

Bank Gutzwiler, Kurz, Bungenier

(Overseas) Limited

Bank of Tokyo International

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Banque Brunnelle Lambert S.A.

Banque Paribas du Commerce Extérieur

Banque Générale du Luxembourg S.A.

Banque Indosuez

Banque Internationale de Luxembourg S.A.

Banque Nationale de Paris

Banque de Neuchâtel, Schenkenberg, Malet

Banque Paribas Capital Markets

Banque Populaire Suisse S.A. Luxembourg

Banque de l'Union Européenne

Barclays Merchant Bank

Barclay Brothers & Co.,

Limited

Bayerische Hypothek- und Wechsel-Bank

Aktienbesitz

Bayerische Landesbank

Girozentrale

Bayerische Wechselbank

Aktienbesitz

Joh. Tarnow, Goslar & Co.

Berliner Bank A/S

Berliner Bank

Aktienbesitz

Berliner Handels-

und Frachtkorrespondenz

Bank des Depôts et Comptes

de Cour et de Monte de Placat de Madrid

Chas. Mathelien Capital Markets Group

Chemical Bank International Group

CIBC Limited

Citicorp Capital Markets Group

Commerzbank

Aktienbesitz

Compagnie Monégasque de Banques

Comptoirs Handelsbank A/S

Creditbank-Bankverein

Credito Industriale et Commercial de Paris

Credito Ungarico

Credito del Nord

Credito Italiano

Credito Suisse First Swiss

Limited

Delva Europe

Limited

Des Deutsche Bank

Des norddeutsche Creditbank

Deutsche Bank

Aktienbesitz

Deutsche Girozentrale

- Deutsche Kommunalbank -

DG Bank

Deutsche Girobank

Girozentrale

Diskon, Reed Limited

Domestic Securities Pfaff Limited

DSI Bank

Deutsche Stadtungs- und Landesbanken

Einkaufsbank-Württemberg

Allgemeinbank

Einkaufsbank

Ständebank

Einkaufsbank Limited

Einkaufsbank S.p.A.

Europäer Arab Bank

Europäer Banking Company

Limited

Fgl International Finance

Limited

Girozentrale und Bank

der österreichischen Sparkassen

Allgemeinbank

Goldman Sachs International Corp.

Hambros Bank

Limited

Handelsbank N.M. (Doversee)

Limited

Hessische Landesbank

- Girozentrale -

Hilf Samuel & Co.

Limited

Industriebank von Japan (Deutschland)

Aktienbesitz

Istituto Bancario San Paolo di Torino

Kawata-Osaka-Panick

Kleber, Peabody International

Bank

Kleinwort, Benson

Limited

Kreditbank N.V.

Kredit Investment Company (S.A.F.)

Landesbank Westfalen-Pfalz

- Girozentrale -

Lloyds Bank International

Limited

LYON International

Limited

Manufacturers Hanover

Limited

McLard Young West International

Limited

Bank, Frank & Co.

B. Metzler and Sohn & Co.

Mitsubishi Finance International Limited

Sammel Montages & Co.

Limited

Morgan Grenfell & Co.

Limited

Morgan Stanley

Morgan Stanley International

The Nibels Securities Co. (Europe) Ltd.

Nippon Credit International (SW) Ltd.

Norddeutsche Landesbank

Girozentrale

Oesterreichische Landesbank

Aktienbesitz

St. Oppenheim Jr. & Co.

Pekow-Wirtschaft International

Piemont, Holdings & Partners N.M.

P.C. Christensen Bank (S.W.)

Privatbank A/S

Privatbank-Ruders International

P.O. Norddeutsche & Co.

Limited

Salomon Brothers International Limited

Savoy International Limited

J. Henry Schroder Wagg & Co.

Limited

Shawson Lohren Brothers International

Smith Barney, Harris Uptson & Co.

Incorporated

Société Générale

Société Générale de Banques S.A.

Sparkassen SGB

Santorno Finance International

Svenska Handelsbanken Group

Union & Bank

Union Bank of Switzerland (Securities)

Limited

Verein- und Wechsel

Bank Aktienbesitz

M. M. Warburg-Brüdermann, Wirtz & Co.

S.G. Warburg & Co. Ltd.

Wardley

Westdeutsche Girobank

Zentralbank & G.

Westfälische

Allgemeinbank

Westf. International S.A.

Wood Gundy Inc.

Yamachi International (Europe)

Limited

WestLB Finance N.V.

Curacao, Netherlands Antilles

ECU 70,000,000
9½% Bearer Bonds due 1990

Secured on a Deposit with the New York Branch of
WESTDEUTSCHE LANDESBANK
GIROZENTRALE

WESTDEUTSCHE LANDESBANK GIROZENTRALE	KREDITBANK INTERNATIONAL GROUP	MORGAN GUARANTY LTD
BANK BRUSSEL LAMBERT N.V.	GENERALE BANK	
AMRO INTERNATIONAL LIMITED	BANK OF TOKYO INTERNATIONAL LIMITED	BANQUE PARIBAS CAPITAL MARKETS
CAISSE DES DEPOTS ET CONSIGNATIONS	CHASE MANHATTAN CAPITAL MARKETS GROUP	COUNTY BANK LIMITED
CREDIT COMMERCIAL DE FRANCE	CREDIT COMMUNAL DE BELGIQUE S.A. / GEMEENTEKREDIET VAN BELGIE N.V.	CREDITO ITALIANO
CREDIT SUISSE FIRST BOSTON LIMITED	FLM INTERNATIONAL FINANCE LIMITED	GIROZENTRALE UND BANK DER OESTERREICHISCHEN SPARKASSEN AKTIEGENSSELLSCHAFT
KANSALLIS-OSAKE-PANKKI	MERRILL LYNCH CAPITAL MARKETS	MITSUBISHI FINANCE INTERNATIONAL LIMITED
MORGAN STANLEY INTERNATIONAL	THE NIKKO SECURITIES CO., (EUROPE) LTD.	ORION ROYAL BANK LIMITED
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SVENSKA HANDELSBANKEN GROUP	SWISS BANK CORPORATION INTERNATIONAL LIMITED	UNION BANK OF SWITZERLAND (SECURITIES) LIMITED
S.G. WARBURG & CO. LTD.	YAMAUCHI INTERNATIONAL (EUROPE)	

Alfa Dhabi Investment Company
American Bank Rotterdam N.V.
At-El Group
Banco Commerciale Italiano
Banco del Oltremo
Banco Mercantile & C.
Banco Nacional del Lavoro
Banco di Roma
Bankhaus Rottmann Frankfurt Group
Bank für Sozialwirtschaften N.Y.
Bank für Sozialwirtschaft
Altgesellschaft
Bank Ostafrika, Kana, Südafrika
(Overland) Limited
Bank type:
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Bankhaus Bremen AG
Banco de Brasil S.A.
Banco Parapetela de Comercio Exterior
Banco Pinaro-Alexandre
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Banco Indusbank
Banque Internationale à Luxembourg S.A.
Banque Nationale de Paris
Banque de Naples, Schillingen, Markt
Banque Paribas Deutsche S.A.
Banque Paribas Suisse S.A. Luxembourg
Banque de l'Union Européenne
Banque Worme
Barley Brothers & Co.,
Limited
Bayerische Hypotheken und Wechsel-Bank
Altgesellschaft
Bayerische Landesbank
Gesellschaft
Bayerische Volksbank
Altgesellschaft
Berliner Handels-
und Kreditbank
Calais d'Eclairage de l'Etat
Banque du Fret, Luxemburg

Chemical Bank International Group
Citic Limited
Citibank International Bank
Limited
Commerzbank
Altgesellschaft
Compagnie Messagère de Banque
Copenhagen Handelsbank A/S
Credit Agricole
Creditanstalt für Handelsgeschäfte
Credit Général S.A. de Banque
Credit Industriel d'Alsace et de Lorraine
Credit Industriel et Commercial de Paris
Credit Lyonnais
Credit du Nord
Dan Danske Bank International S.A.
Des morles Creditbank (Luxembourg) S.A.
Deutsche
Altgesellschaft
Deutsche Girozentrale
und Kassenvereinigungsbank —
DG Bank
Deutsche Genossenschaftsbank
Dominion Securities Private Limited
Dresdener Bank
Altgesellschaft
Einkaufs-Société
Schweizerische Engländer Limited
European Arab Bank
European Banking Company
Limited
Goldman Sachs International Corp.
Hambro Bank
Limited
Hankow Bank N.Y. (Overseas)
Limited
Niederliche Landesbank —
Gesellschaft
Mt. Samuel & Co.
Limited
Moh Intercontinental Bank
Limited
Mutuelle Bancaria San Paolo di Torino

Kiddey, Peabody International
Limited
Kleinwort, Benson
Limited
Kreditbank S.A. Luxembourgpostale
Kreditbank (Poland) S.A.
Levan Luxembel Handels N.V.
Lloyds Bank International
Limited
Messageries Maritimes
Limited
General Mortgage & Co.
Limited
Morgan Grenfell & Co.
Limited
Norddeutsche Meeresdampfschiffahrt N.M.
Niederlande Creditbank NV
Nippon Credit International (P.K.) Ltd.
Nippon European Bank S.A.
Norban International Limited
Norddeutsche Landesbank
Gesellschaft
Obersteichische Landesbank
Altgesellschaft
Pfaffens, Hebling & Pfaffen N.Y.
PK Christiana Bank (UK)
Limited
Pontgaut
Privatbanken A/S
Rabobank Nederland
Saxones Brothers International
Limited
Schwartzkopf & Co.
Unterberger Eisenwerke
J. Henry Schroder Wagg & Co.
Limited
Shanghai Lehman Brothers International
Smith, Barney, Harris Upham & Co.
Incorporated
Société Générale Alsacienne de Banque
Luxembourg
Union Bank of Finland Ltd.
Vereine- und Wechselbank
Altgesellschaft
WestLB International S.A.
Wood Dundy Inc.

The Kingdom of Belgium

DM 100,000,000
7½% Bonds due 1992
- Private Placement -

**WESTDEUTSCHE LANDESBANK
GIROZENTRALE**

WestLB

Headquarters:
P.O. Box 1128
D-4000 Düsseldorf 1

8 branches:
London
New York
Tokyo
Hong Kong

Representative Offices:
Latin-America Office
 New York
 Rio de Janeiro
 Tokyo
 Toronto
 Melbourne

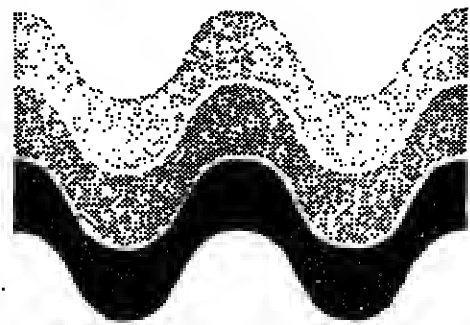
Subsidiaries:
WestLB International S.A.
Luxembourg
Banque Franco-Allemande
S.A., Paris

Copies of this document, each having attached thereto the documents specified herein, have been delivered to the Registrar of Companies for registration.

This document includes particulars given in compliance with the Regulations of the Council of The Stock Exchange for the purpose of giving information with regard to Wold PLC ("the Company") together with its subsidiaries. The Directors of the Company have taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts the omission of which would make misleading any statement herein whether of fact or of opinion. All the Directors accept responsibility accordingly.

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the ordinary share capital of the Company in the Unlisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to official listing.

The application list for the ordinary share capital of the Company now being offered for sale will open at 10.00 a.m. on Tuesday, 28th May, 1985 and may be closed at any time thereafter. The procedure for application and an application form are set out at the end of this document.



WOLD PLC

(Incorporated in England under the Companies Acts 1948 to 1981. Registered Number 1761073)

Directors and Advisers

Board of Directors

Peter Dobson Silvester *Non-executive Chairman*
 Alec Leonard Coney *Non-executive Vice-Chairman*
 Roger Newton *Chief Executive*
 Christopher Joseph Mawer Cottingham *Non-executive*
 David Cramb CBE *Non-executive*
 Dennis Albert Slater Duffield *Commercial Director*
 Norman Jackson *Non-executive*
 Fraser Charles Lyon *Operations Director*
 Ian Wheeler *Finance Director*

Secretary and Registered Office

Ian Wheeler ACA
 Birchlin Way, Grimsby, South Humberside DN31 2SE

Financial Advisers

Citicorp International Bank Limited,
 335 Strand, London WC2R 1LS
 and
 Phillips & Drew
 120 Moorgate, London EC2M 6XP

Stockbrokers

Phillips & Drew
 120 Moorgate, London EC2M 6XP

Joint Auditors

Streets & Co., Chartered Accountants
 Tower House, Lucy Tower Street, Lincoln LN1 1XW
 and
 Deloitte Haskins & Sells, Chartered Accountants
 128 Queen Victoria Street, London EC4P 4JX

Reporting Accountants

Deloitte Haskins & Sells, Chartered Accountants
 128 Queen Victoria Street, London EC4P 4JX

Solicitors to the Company

Roythorne & Co.
 10 Pinchbeck Road, Spalding, Lincolnshire PE11 1PZ

Solicitors to the Offer for Sale

Clifford-Turner
 Blackfriars House, 19 New Bridge Street, London EC4V 6BY

Principal Bankers

Barclays Bank PLC
 52 Market Place, Boston, Lincolnshire PE21 6LU
 Barclays Merchant Bank Limited
 15/16 Gracechurch Street, London EC3V 0BA

Registrars and Transfer Office

Barclays Bank PLC
 Registration Department, Radbroke Hall, Knutsford,
 Cheshire WA16 9EU

Receiving Bankers

Barclays Bank PLC
 New Issues Department, PO Box 123, Fleetway House,
 25 Farringdon Street, London EC4A 4HD

Offer for Sale

by

Citicorp International Bank Limited

and

Phillips & Drew

of

5,263,158 Ordinary Shares of 5p each
 at 95p per share payable in full on application

Share capital

Authorised Issued and to be
 £1,500,000 in Ordinary Shares of 5p each £1,078,947

The Ordinary Shares now being offered for sale will rank in full for all dividends declared or paid on the ordinary share capital of the Company.

Indebtedness

At the close of business on 3rd May, 1985 the Company and its subsidiaries had outstanding secured term loans totalling £2,790,000; unsecured loans totalling £900,000, which at the date of this document have been converted into Ordinary Shares; bank overdrafts totalling £4,107,180 all of which were secured; and hire and lease purchase commitments totalling £3,588,000.

Save as set out above and apart from intra-group indebtedness the Company and its subsidiaries did not have at that date any loan capital (including term loans) outstanding or created but unissued, or any mortgages, charges, or any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, or guarantees or other material contingent liabilities.

On the same date the Company and its subsidiaries had aggregate cash balances with bankers amounting to £14,520.

Definitions

"the Company" Wold PLC.
 "Wold Farm Foods" Wold Farm Foods Limited, a wholly owned subsidiary of the Company.
 "Wold Europe" Wold Farm Europe Limited, a wholly owned subsidiary of Wold Farm Foods.
 "Edwards & Walkden" Edwards & Walkden Limited, a wholly owned subsidiary of Wold Farm Foods.
 "Wold Technical Services" Wold Technical Services Limited, a wholly owned subsidiary of the Company.
 "the Group" the Company and its above subsidiary companies.
 "M & P" M & P (Engineering) Limited, a wholly owned subsidiary of the Company.
 "Midleton Food Products" Midleton Food Products Limited, a related company of the Group.
 "the Board" or "the Directors" the directors of the Company.
 "Citicorp" Citicorp Capital Investors Europe Limited, an institutional investor in the Company.
 "CIN" CIN Industrial Investments Limited, an institutional investor in the Company.
 "The Prudential" The Prudential Assurance Company Limited, an institutional investor in the Company.
 "Ordinary Shares" the ordinary shares of 5p each in the Company.

Summary of Information

The following information should be read in conjunction with the full text of this document from which it is derived:—

Business

The Group's principal activities are the freezing and packing of green vegetables for retail and wholesale distribution throughout the United Kingdom and in Western Europe. The Group is one of the three largest frozen green vegetable producers in the United Kingdom. In addition the Group has a food processing consultancy and engineering business which has been expanded by the acquisition of M & P in March, 1985.

Trading record

The combined turnover and profit before taxation of the Group and M & P, on a pro forma basis (note (i)), for the five years ended 31st December, 1984 is as follows:—

	Turnover £000	Profit/(loss) before taxation £000
1980	11,089	(1,256)
1981	13,179	274
1982	13,504	349
1983	20,624	941
1984	27,371	1,545

Offer for sale statistics

Offer for sale price per Ordinary Share 95p
 Market capitalisation at the offer for sale price £20.5 million
 Percentage of ordinary share capital being offered for sale
 —by the Company 17.6 per cent.
 —by existing shareholders 6.8 per cent.
 Pro forma earnings per share for the year ended 31st December, 1984 (note (ii))
 —after tax charge of 11 per cent. 8.0p
 —after notional tax charge of 35 per cent. 5.8p
 Price earnings ratios at the offer for sale price (note (ii))
 —after tax charge of 11 per cent. 11.9
 —after notional tax charge of 35 per cent. 16.4
 Notional dividend for the year ended 31st December, 1984 (note (ii))
 —net dividend per share 2.3p
 —gross yield based on the offer for sale price 3.5 per cent.

Notes:

(i) The combined figures for turnover and profit before taxation of the Group and M & P on a pro forma basis are taken from the table shown in section 6 headed "Trading record". The results of M & P have been adjusted to a calendar year basis.

(ii) Pro forma earnings per share, price earnings ratios and the notional dividend are calculated on the basis set out in section 9 headed "Earnings per share and dividends".

Description of the Business

1. Introduction

The Group is primarily engaged in producing and freezing green vegetables for retail and wholesale distribution throughout the United Kingdom and in Western Europe. In the United Kingdom it specialises in producing retail packs bearing the individual customer's name and packaging design ("own label") both for high street multiples, such as Bejam, Sainsbury and Tesco, and specialist distributors to the catering trade. The Group also supplies in bulk to Findus and is a leading exporter of frozen green vegetables.

The Group has an ancillary food processing consultancy and engineering business which has been expanded by the recent acquisition of M & P.

The Group's headquarters and freezing plant are located on a 12 acre freehold site at Grimsby, South Humberside. Originally developed in the late 1970's, the Board believes it is among the most modern vegetable freezing plants in Western Europe and the largest single site operation of its kind in the United Kingdom.

The Group, including M & P, comprises a holding company, five wholly owned operating subsidiaries and a related company, Midleton Food Products.

2. The frozen food market

The convenience of frozen foods has led to a threefold increase in domestic freezer ownership in the United Kingdom in the ten years to 1983. By that year, 67 per cent. of all United Kingdom households owned a freezer. This has led to a rapid

growth in consumption of frozen food. The largest sector of frozen food sales by volume in the United Kingdom is the frozen vegetable market of which the Group has a significant share.

The Group also operates in Western Europe, where domestic freezer ownership is lower than in the United Kingdom. It is expected to increase in future, however, and should present significant opportunities for the Group.

3. History

The Group's business started with the formation of Wold Farm Foods as a pea growing co-operative in 1966. Until 1974 its primary activity was supplying fresh peas to Findus for freezing. In 1974 the Group acquired the majority of the present site in Grimsby and constructed its first freezing line and cold store.

During the late 1970's, production capacity was increased by two further freezing lines, a packing factory and additional cold storage facilities, to meet demand from high street supermarkets for frozen vegetables in "own label" packs.

In 1979, the Group established a European sales office in Holland to promote exports of frozen vegetables, primarily to Holland, Italy, Spain and West Germany.

By the end of the 1970's considerable expansion in vegetable freezing capacity in the United Kingdom had taken place, resulting in over-capacity and severe competition within the industry. In 1980, which was widely regarded as the worst ever year for the frozen vegetable industry, the Group, in common with many well known companies, suffered substantial losses. This led to a major management reorganisation and Roger Newton,

then finance director, was appointed chief executive. At the same time, the Group became directly involved in growing and harvesting its own vegetables on rented land to augment the purchase of produce for freezing under contracts with farmers. The Group returned to profitability in 1981.

At the end of 1982 two additional freezing lines were constructed to accommodate a long term contract to supply a substantial quantity of frozen green vegetables to a major United Kingdom frozen food supplier.

By 1983 the Group was supplying many of the major multiple retail food chains in the United Kingdom. In December of that year £3 million of new capital was raised by the Group from a syndicate of institutional investors, comprising Citicorp, CIN and The Prudential, in order to provide additional working capital and finance further expansion. At this time Wold PLC was formed and acquired all the issued share capital of Wold Farm Foods.

In July, 1984 the Group acquired, for £253,000, the business of Edwards & Walkden, a London based trading company dealing primarily in frozen vegetable produce. Edwards & Walkden has a number of agencies for frozen vegetables not produced in commercial quantities in the United Kingdom, such as asparagus, sweetcorn and peppers. This acquisition enabled the Group to expand further its product range and customer base. During the six months from acquisition to 31st December, 1984 the incremental turnover attributable to this business was approximately £1.8 million.

In March, 1985 the Group acquired M & P. Since commencing business in 1982, it has provided a design and food machinery manufacturing service to a number of prominent United Kingdom and overseas companies.

4. Business

The following table shows Group turnover by activity over the last five years:—

	1980 £000	1981 £000	1982 £000	1983 £000	1984 £000
Frozen vegetables					
Peas	5,360	6,182	5,869	10,519	12,529
Green beans	1,259	1,898	1,947	2,892	3,286
Brussels sprouts	1,467	1,486	1,729	1,395	2,601
Vegetable mixes	1,417	1,532	1,598	1,550	2,220
Cauliflower	999	1,181	837	839	1,245
Broad beans	87	163	254	661	837
Carrots	352	452	320	412	748
Other vegetable produce	34	187	233	236	912
	10,975	13,081	12,787	18,504	24,378
Consultancy and engineering services					
Group	114	98	243	763	1,666
M & P	—	—	474	1,357	1,327
Total	11,089	13,179	13,504	20,624	27,371

WOLD PLC (continued)

Frozen Vegetables

(i) Markets and customers

The Group is one of the three largest producers of frozen peas and other green vegetables in the United Kingdom together with Birds Eye and Ross. The Directors estimate that the Group's share of the United Kingdom frozen green vegetable market is approximately 18 per cent.

The Group's strategy has been to concentrate on meeting the increasing demand for customer "own label" retail packs whereas Birds Eye and Ross have focused on the promotion of their own branded products. The Group has never embarked upon any active marketing strategy to compete directly with them. Instead it has built up its present trading activity as a result of close business relationships with vegetable retailing and wholesaling companies.

Major customers are in the retail and wholesale markets, ranging from high street multiples to specialist catering distributors. In certain cases the Group is an exclusive supplier. Sales are made in bulk form to those customers who do not require a packing service.

The largest customer is Findus, which accounted for 26 per cent of the Group's frozen vegetable turnover in 1984. Findus is supplied under a fixed term contract, renewable in 1987, and as part of the same overall arrangements, it supplements the Group's packing capacity, as explained below. The four next largest customers accounted for 25 per cent of the Group's 1984 frozen vegetable turnover.

The majority of sales are made under contracts with a duration of twelve months or more and are subject to availability of crop. The Group is a major exporter of frozen vegetables, and an analysis of sales in the United Kingdom and overseas over the last five years is as follows:

	1980	1981	1982	1983	1984
United Kingdom	9,120	10,558	9,569	15,610	20,177
Overseas	1,855	2,523	3,218	2,894	4,201
Total frozen vegetables	10,975	13,081	12,787	18,504	24,378

Overseas sales are primarily to Holland, Italy, Spain and West Germany and are co-ordinated either direct from the United Kingdom or the Group's office in Holland.

(ii) Procurement

In 1985, over 20,000 acres of crops are being cultivated for freezing either under contract by local growers (a number of whom are shareholders and Directors) or on land hired and farmed directly by the Group. The Group operates a vegetable harvesting fleet with which it harvests most of its own grown crops and also a significant proportion of crops grown for it by third parties. The scale of this involvement is unique among major processors and enables the Group to exercise close control over crop availability and quality.

Contracts with growers are usually for the supply of an entire annual crop. Currently about 25 per cent of all United Kingdom grown vegetables frozen by the Group are supplied by a number of shareholders on contracts negotiated on arms length terms.

As shown by the chart below each crop has a limited harvesting period.

UK harvesting periods

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Peas												
Green beans												
Brussels sprouts												
Cauliflower												
Broad beans												
Carrots												
Other root crops												

Specialist agricultural staff are employed to monitor all aspects of crop development including seed selection, soil types, use of insecticides and herbicides and harvesting schedules.

(iii) Vegetable freezing and packing

Production facilities at Grimsby comprise five freezing lines with a total capacity of approximately 55,000 tonnes of vegetables per annum. The freezing process involves product cleaning and sorting, including quality control inspections at each stage, and then a quick-freezing process prior to cold storage. All vegetables are frozen within the guidelines and rules laid down by the food industry regulatory bodies. Extensive use is made of the latest technology in all areas of production, such as microprocessors to monitor energy consumption in the freezing process and opto-electronic scanners for sorting and inspecting vegetables on the production lines.

On-site cold storage facilities extend to 2 million cubic feet, sufficient for approximately 15,000 tonnes of vegetables. At peak times of the year, usually August to November, third party storage facilities are used.

Vegetables are removed from cold storage and packed according to customers' requirements and delivery schedules. There are eight automatic packing lines which produce pack sizes to customer specifications. Annual packing capacity is approximately 30,000 tonnes and this is supplemented by an agreement with Findus which is contracted to provide a further 10,000 tonnes of additional capacity.

Most of the Group's production is collected by the customers themselves. The balance is distributed by a third party specialist distributor with whom the Group has a long term contract.

On 31st December, 1984 the Group acquired a 24.99 per cent equity interest in Middleton Food Products, a company registered in the Republic of Ireland and operating near Cork. This company currently produces approximately 5,000 tonnes of peas and green beans per annum in its own single line freezing factory. Its customers include supermarket chains in the Republic of Ireland.

Consultancy and engineering services

The construction and continuing development of the Grimsby site and the Group's direct agricultural involvement has enabled it to acquire considerable expertise in areas such as agricultural machinery, hydraulic engineering, seed selection and refrigeration engineering.

Increasingly, the Group has experienced demand from third parties for this expertise. The involvement with Middleton Food Products, referred to above, initially arose through a contract to renovate its vegetable freezing factory.

During 1984 Wold Technical Services was formed to develop such activities on a formal basis and, as part of the development programme, M & P was acquired in March, 1985. M & P is a specialist manufacturer and supplier of filling, packaging and food processing machinery. It operates from two factories near Manchester where it carries out design work and assemblies machinery. Customers include Nestlé, Heinz and the Co-operative Wholesale Society.

5. Directors, management and employees

(a) Directors

Peter Silvester, aged 58, joined the Board as non-executive Chairman in April, 1984. He has been an executive director of Brooke Bond Group plc since 1976.

Alec Conery, aged 65, was appointed a Director in 1974 and became non-executive acting Chairman in December, 1983. In April, 1984 he became non-executive vice-Chairman. He is a farmer and a director of a number of private companies.

Roger Newton, BSc, ACMA, aged 39, joined the Group as finance Director in 1974 and became chief executive in July, 1980. Before joining the Group he spent 2 years as financial controller of Dornay Foods, a division of the Mars Group, after industrial experience with GEC and the J. Nickerson group of companies.

Chris Cottingham, aged 58, is a non-executive Director and has been on the Board since 1966. He is a farmer and a director of a number of private companies.

David Cramb, CBE, FCMA, FSCA, aged 58, was appointed non-executive Director in March, 1985. He has been an executive director of Rowntree Macintosh plc since 1967.

Dennis Duffield, aged 45, joined the Group in 1974 after 10 years experience with Spillers Bakery Division where he was a management accountant. He was appointed a Director in April, 1983. He is currently commercial Director, responsible for the operations of Wold Farm Foods.

Norman Jackson, aged 61, is a non-executive Director and joined the Board in 1975. He is a farmer, a non-executive director of Feedex PLC and a director of a number of private companies.

Fraser Lyon, aged 45, joined the Group in 1979, became production Director in 1980 and operations Director in 1984. For the four years prior to 1979 he was managing director of Yorkshire Limited. Previously he had been a production manager with Bowyers (Wiltshire) Limited and Haverhill Meat Products Limited.

Ian Wheeler, BA, ACA, aged 30, joined the Group in 1984. He was appointed company secretary in July of that year and became finance Director in May, 1985. He qualified as a chartered accountant with Deloitte Haskins & Sells and worked for them in the United Kingdom and USA.

Notes

(i) All references to board appointments prior to December, 1983 are to the board of Wold Farm Foods. On 6th December, 1983 all the then directors of Wold Farm Foods became Directors of Wold PLC.

(ii) Means Conery, Cottingham and Jackson are interested in contracts to supply vegetables to the Group as mentioned in paragraph 3(b) of "Statutory and General Information".

(b) Senior management and employees

Name	Age	Group	Date of joining the Group	Title
Frozen vegetables				
Wold Farm Foods				
Nigel Burt, MSc	34	1983		Sales director
David Bush	43	1978		Personnel director
Tom Chapman	37	1974		Production director
Jim How, MSc	45	1977		Agricultural director
Edwards & Walkden				
Terry Lawlor	45	1984		Managing director
David Brown	37	1984		Sales director
Wold Europe				
Kees Schrevel	46	1979		Managing director
Consultancy and engineering services				
Wold Technical Services				
David Chilton	48	1974		Engineering director
M & P				
Derek Clough, MSc, ACMA	42	1985		Managing director

At 31st December, 1984, including executive Directors and senior managers, the Group employed 373 permanent staff, of whom 10 were engaged in agricultural operations, 275 in freezing and packing, 46 in engineering and support services, 17 in sales and distribution, and 25 in general administration. In addition, on the acquisition of M & P in March, 1985, 33 further employees joined the Group in technical and related activities. During peak production periods the Group employs up to a further 350 temporary staff.

The Group operates two contracted out pension schemes for eligible employees. The Directors consider industrial relations to be excellent.

The Directors believe it is important that senior executives of the Group should identify closely with its financial performance and be provided with long-term financial incentives. On 7th March, 1985, therefore, the Company established a share option scheme under the provisions of the Finance Act 1984. Details of this scheme (which is subject to the approval of the Inland Revenue) and of options which the Directors have agreed to grant under the scheme, are set out in paragraph 4 of "Statutory and General Information".

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Directors estimate that if throughout the twelve months ended 31st December, 1984 the net proceeds of £3.02 million being raised by the issue of new shares at the offer for sale price had been available to the Company, saving interest at 13 per cent per annum, the adjusted profit before taxation for the Group and M & P would have been £1,937,000.

On the basis of the Ordinary Shares in issue following the offer for sale, pro forma earnings per share, on an 11 per cent tax charge basis (being advance corporation tax on a notional dividend of 2.3p per share as referred to below), would have been 8.0p, implying a price earnings ratio of 11.9 times at the offer for sale price. On the same basis, but assuming a notional tax charge of 35 per cent, earnings per share would have been 5.8p, implying a price earnings ratio of 16.4 times at the offer for sale price.

Had the Ordinary Shares been dealt in on the Unlisted Securities Market for the whole of 1984, the Directors would have recommended a total dividend for that year of 2.3p net per Ordinary Share. At the offer for sale price this would have represented a gross yield of 3.5 per cent and the dividend would have been covered 2.4 times. In future it is intended that in respect of each financial year an interim dividend and a final dividend should be paid in November and May respectively. The Ordinary Shares now being offered for sale will rank for the interim dividend payable in November, 1985.

10. Current trading

The Group has made an encouraging start to the year with demand for frozen vegetables exceeding forecast figures.

The Directors are optimistic about prospects for 1985 but consider that at this stage it would be inappropriate to make a profit forecast since, as mentioned above, the Group's profit is earned in the second half of the year.

11. Prospects

The Directors are confident that there is considerable scope for further expansion of the Group's business.

In the United Kingdom, the Directors believe that the "own label" sector of the frozen vegetable market, in which the Group concentrates, will continue to expand. This should provide growth opportunities not only for the Group's basic green vegetable lines but for more innovative products particularly:

— higher added value products such as chilled prepared vegetables and new vegetable mixes. The continuous development of the Group's production facilities at Grimsby and investment in new technology makes it well placed to meet this demand;

— vegetables such as asparagus, peppers and sweetcorn which are grown mainly in warmer overseas climates and are becoming increasingly popular. The Group has already secured a number of agencies for the distribution of such products in the United Kingdom.

The Directors also believe that there are opportunities for growth in overseas markets. In particular the Group is experiencing growing demand for its main product lines from the rest of Europe and has expanded its European sales coverage;

The acquisition of M & P will enable the Group to develop further its consultancy and engineering services business both in the United Kingdom and especially overseas as frozen food industries are being developed in many parts of the world. There is an increasing requirement for expertise in refrigeration and food processing technology which the Group is well able to provide.

Over the last few years the Group has grown rapidly and the Directors look forward to the future with enthusiasm and confidence.

Accountants' Report

The following is a copy of the report on Wold PLC and its subsidiaries, including M & P (Engineering) Limited, made to the Directors of the Company, the Directors of Ciscorp International Bank Limited and to the Partners of Phillips & Drew by Deloitte Haskins & Sells, Chartered Accountants.

Deloitte Haskins & Sells

128 Queen Victoria Street, London EC4Q 4JX

The Directors, Wold PLC

The Directors, Ciscorp International Bank Limited

WOLD PLC (continued)

Net operating expenses

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Increase in stocks	(433)	(1,394)	(1,797)	(1,571)	(1,738)
Raw material purchases	4,642	4,643	4,706	7,735	11,329
Cost of sales	2,153	2,971	3,090	3,562	9,915
Own work capitalised	(24)	(57)	(60)	(196)	(108)
Depreciation	299	324	440	498	593
Other operating charges	4,968	6,431	5,523	8,119	10,129
Net operating expenses	11,602	12,319	12,200	17,662	24,200

Trading profit/(loss)

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Trading profit/(loss) as arrived at after charging—					
Directors' emoluments	24	49	48	62	86
Hire of plant and equipment	97	224	295	583	309
Leasing charges	116	156	248	582	684
Auditors' remuneration	10	11	15	15	21
Group pension costs	30	35	42	62	64

Taxation

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Overseas taxation	4	2	—	—	—

In relation to the year ended 31st December, 1984 advance corporation tax of £119,000 in respect of a dividend paid and payable by Wold Farm Foods to its preference shareholders is shown in the Group profit and loss account as part of the preference dividend payable by a subsidiary company. This is available to be carried forward and set off against future corporation tax liabilities of Wold Farm Foods.

Tax losses in subsidiary companies at 31st December, 1984, which are expected to be available against future profits, amount to approximately £6.6 million and exceed timing differences by £2.5 million. Approximately £5.7 million of the total tax losses are expected to be available for carry forward against the taxable profits of Wold Farm Foods without time limit.

The balances of losses arising from stock relief claimed, may be relieved against the taxable profits of Wold Farm Foods provided those losses arising are utilised by the following periods—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
31st December, 1986	176	—	—	—	—
31st December, 1987	40	—	—	—	—
31st December, 1988	164	—	—	—	—
31st December, 1989	479	—	—	—	—
	861	—	—	—	—

Earnings per share

Earnings per share have been calculated throughout on 416,602 called up shares in issue at 31st December, 1984 and on the profits/(losses) of each period after taxation, preference dividends and minority interests.

Tangible fixed assets

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Tangible fixed assets at 31st December, 1984 comprised—					
Land and buildings	4,864	5,322	10,188	—	—
Plant and machinery	679	1,991	2,670	—	—
Total	3,987	3,331	7,318	—	—

The land and buildings were valued in June, 1979 by Messrs. Dickinson, Dwyer & Markham, Chartered Surveyors, at an existing use value of £3,926,000. Subsequent additions of £948,000 are stated at cost. Freehold land not depreciated amounted to £1,555,000 as at 31st December, 1984.

At 31st December, 1984 the Group had capital commitments as follows—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Contracted but not provided	240	—	—	—	—
Authorized but not contracted	231	—	—	—	—

Investments

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Investments of the Group and the Company as at 31st December, 1984 represent—					
Investment in subsidiary companies	—	—	—	—	219
Investment in related company	—	—	—	—	57

The investment in the related company represents a holding of 24.99 per cent. of the issued share capital of Middleton Food Products Limited, a company registered in the Republic of Ireland, and is stated at cost.

Stocks

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Raw materials and consumables	—	—	—	—	9,349
Finished goods	—	—	—	—	2,115
Total	—	—	—	—	11,559

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Comprising—					
Frozen vegetable produce	9,856	—	—	—	—
Other stocks	1,703	—	—	—	—
Total	11,559	—	—	—	—

Debtors

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Trade debtors	1,719	—	—	—	—
Prepayments	586	—	—	—	—
Other debtors	24	—	—	—	—
Total	2,329	—	—	—	—

Creditors due within one year

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Bank overdraft	—	—	—	—	2,898
Current instalments due on bank loans and hire purchase	632	—	—	—	—
Trade creditors	5,390	—	—	—	—
Amounts due to subsidiaries	202	—	—	—	—
Accruals and other creditors	21	—	—	—	—
Other taxes and social security	—	—	—	—	19
Total	9,083	—	—	—	—

The bank overdraft is secured by a fixed and floating charge on the assets of the Group and by cross guarantees given by Group companies.

Called up share capital

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Bank loans and acceptances	2,370	—	—	—	—
Stock availability deposits from customers	500	—	—	—	—
Elze purchase	276	—	—	—	—
Total	3,346	—	—	—	—

Repayable by instalments as follows—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Between 1 and 2 years	350	—	—	—	—
Between 2 to 5 years	1,456	—	—	—	—
After 5 years	840	—	—	—	—
Stock availability deposits repayable in 1987	500	—	—	—	—
Total	3,346	—	—	—	—

Bank loans and acceptances are secured by a fixed and floating charge on the assets of the Group and by cross guarantees given by Group companies. Stock availability deposits represent monies deposited with the Group to secure the availability of stock.

Called up share capital

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Authorized	—	—	—	—	—
Called up and fully paid	—	—	—	—	—
Number	—	—	—	—	—
£	—	—	—	—	—

Ordinary shares of 20p each

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
"A" ordinary shares of 20p each	84,244	16,849	84,244	16,849	—
Redeemable ordinary shares of 20p each	75,054	15,011	62,169	12,434	—
"A" redeemable ordinary shares of 20p each	151,558	26,272	131,358	26,272	—
151,558	30,343	138,831	27,766	—	—
442,372	88,475	416,602	83,321	—	—

The called up share capital of the Company was issued on 6th December, 1983 to the then existing shareholders of Wold Farm Foods and the institutional shareholders.

Movements in the called up share capital of Wold Farm Foods since 1st January, 1980 are detailed below—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Number	—	—	—	—	—
£	—	—	—	—	—

31st December, 1980

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Number	—	—	—	—	—
£	—	—	—	—	—

2nd May, 1982

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Conversion to £1 ordinary shares	(34,702)	(868)	567,590	868	—
7th June, 1982 rights issue	—	—	300,038	300	—
Issued 7th June, 1982	—	—	151,246	151	—
Issued 31st December, 1982	—	—	1,518,334	1,519	—

On 6th December, 1983 the Company acquired the issued share capital of Wold Farm Foods, in exchange for the shares to the shareholders of Wold Farm Foods of shares in Wold PLC.

Movements in reserves

Movements in reserves during the period under review were as follows—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Retained profits/(losses)	(1,262)	271	207	808	1,876
Other movements	—	—	—	(20)	—
Reserves arising on restructuring	—	—	—	2,056	—
Goodwill arising on acquisition	—	—	—	—	(116)
Exchange movements	—	(17)	4	12	(28)
Movement	(1,262)	254	211	2,856	932
Opening balance	2,847	1,585	1,839	2,050	4,906
Closing balance	1,585	1,839	2,050	4,906	5,838
Revaluation reserves	1,643	1,623	1,596	1,590	1,572
Other reserves	—	—	—	2,106	2,200
Profit and loss account	(58)	210	454	1,210	2,066
1,585	1,839	2,050	4,906	5,838	—

Minority interest

The minority interest represents 2,799,000 cumulative redeemable preference shares of £1 each in the capital of Wold Farm Foods. The holders of the preference shares are not entitled to participate in the profits of Wold Farm Foods other than to receive a cumulative preferential dividend. Dividends are currently payable at the rate of 14.3 per cent. per annum, inclusive of advance corporation tax, and are payable half yearly on 31st March and 30th September.

Deferred taxation

The potential amounts of deferred taxation not provided for in the financial statements, at the rate of 35 per cent., are as follows—

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Capital allowances in excess of depreciation	—	—	—	—	1,416
Utilised losses	—	—	—	—	(1,416)

In addition, taxation payable of £495,000 would arise on disposal of freehold properties if sold at the revalued amounts at which they are included in the financial statements.

Contingent liability

At 31st December, 1984 bills of exchange amounting to £930,000 had been discounted by subsidiaries.

Leasing commitments

At 31st December, 1984 the Group was committed to the following payments under leasing agreements—

	1980	1981	1982	1983	1984
Year ending 31st December	1980	1981	1982	1983	1984
1980	612	—	—	—	—
1981	480	—	—	—	—
1982	376	—	—	—	—
1983 and thereafter	94	—	—	—	—
Total	2,220	—	—	—	—

Subsequent events

15. On 28th March, 1985, Wold PLC acquired the whole of the issued share capital of M & P. The purchase price of £900,000 was satisfied by the issue to the vendors of convertible unsecured loan notes having an equivalent face value.

Immediately prior to this transaction, M & P purchased freehold and leasehold properties, together with moveable plant and equipment, previously rented from a fellow subsidiary of the group of which it was then a member, for a consideration of £200,000.

On 7th March, 1985 the authorised share capital of the Company was increased to £338,475 by the creation of 1,230,000 ordinary shares of 20p each.

On 17th May, 1985, conditionally upon permission to deal in the ordinary share capital of the Company in the Unlisted Securities Market being granted by the Council of the Stock Exchange, the following transactions were effected:

(a) certain of the existing redeemable ordinary shares of 20p and the "A" redeemable ordinary shares of 20p each were redeemed for a consideration of £1 per share;

(b) Barclays Merchant Bank Limited was allotted 352,489 Ordinary Shares of 5p each;

(c) all the redeemable ordinary shares of 20p, "A" ordinary shares of 20p each and "A" redeemable ordinary shares of 20p each were converted and subdivided into Ordinary Shares of 5p each;

(d) the Company acquired the preference capital of Wold Farm Foods in exchange for the issue to the holders of those preference shares of a number of Ordinary Shares of 5p having a value, at the offer for sale price, of £2,799,000; and

(e) the holders of the loan notes, in accordance with the convention terms thereof, were allotted a number of Ordinary Shares of 5p each having a market value, at the offer for sale price of £900,000.

Group current cost profit and loss accounts

	1980	1981	1982	1983	1984
Year ended 31st December	1980	1981	1982	1983	1984
Turnover	11,089	13,179	13,030	19,267	26,844
Historical cost operating profit/(loss) before interest	(513)	861	830	1,405	2,944
Current cost operating adjustments	186	(398)	(293)	(515)	(540)
Current cost operating profit/(loss)	(327)	463	537	890	2,404
Net interest payable	(943)	(267)	(423)	(377)	(473)
Gearing adjustment	205	161	232	240	234
Current cost profit/(loss) before taxation	(1,065)	142	100	533	1,156
Taxation	(4)	(2)	—	—	—
Preference dividend payable by a subsidiary company	(1,433)	140	10	533	1,156
Minority interests	(2)	(1)	—	—	—
Current cost retained profit/(loss)	(1,475)	139	10	533	760

Group current cost balance sheet

	Notes	1984 1980
Fixed assets		
Tangible assets	18c	7,735
Investments		57

WOLD PLC (continued)

Statutory and General Information

1. Share capital

The Company

(a) The Company was registered in England on 12th October, 1983 under the name Wold PLC with number 1761073 as a public company with limited liability under the Companies Act 1948 to 1981 and with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which 2 were issued all paid.

(b) By resolution in writing, a Special Resolution was passed on 18th October, 1983 converting and sub-dividing each of the then existing ordinary shares of £1 each into 5 "A" ordinary shares of 20p each resulting in 250,000 "A" ordinary shares of 20p each.

(c) At an Extraordinary General Meeting held on 19th October, 1983 a Special Resolution was passed—

(i) authorising the Company to enter into the Shareholders' Agreement and the Share Purchase Agreement (see material contracts (a) and (b) referred to in paragraph 15);

(ii) authorising the Directors to allot and issue equity securities in accordance with the terms of the Shareholders' Agreement and the Share Purchase Agreement.

(d) At an Extraordinary General Meeting held on 6th December, 1983 a Special Resolution was passed—

(i) converting 151,716 unissued "A" ordinary shares of 20p each into 151,716 "A" redeemable ordinary shares of 20p each and 23,230 unissued "A" ordinary shares of 20p each into 23,230 ordinary shares of 20p each;

(ii) increasing the authorised share capital of the Company to £88,474.40 by the creation of 61,014 ordinary shares of 20p each and 131,338 redeemable ordinary shares of 20p each; and

(iii) adopting new Articles of Association.

(e) On 6th December, 1983—

(i) the 10 "A" ordinary shares of 20p each in issue were fully paid up at par together with a premium of 80p per share;

(ii) pursuant to the Share Purchase Agreement, 62,159 "A" ordinary shares of 20p each were allotted at par together with a premium of 80p per share and 138,331 "A" redeemable ordinary shares of 20p each were allotted at par together with a premium of 80p per share;

(iii) pursuant to the Share Purchase Agreement, 84,244 ordinary shares of 20p each were allotted credited as fully paid up at par together with a premium of 80p per share and 131,338 redeemable ordinary shares of 20p each were allotted credited as fully paid up at par together with a premium of 80p per share;

(iv) increasing the authorised share capital of the Company to £88,474.40 by the creation of 61,014 ordinary shares of 20p each and 131,338 redeemable ordinary shares of 20p each;

(v) approving and adopting, subject to Inland Revenue approval, the Wold PLC Share Option Scheme ("the Scheme");

(vi) authorising the issue of £200,000 convertible unsecured loan notes in connection with the acquisition of M & P;

(vii) authorising the Directors pursuant to section 14 of the Companies Act 1980 to allot and issue redeemable securities of the Company generally up to 6th March, 1990;

(viii) disapplying the provisions of section 17 of the Companies Act 1980 in respect of the issue of options under the Scheme, the allotment of equity capital upon the exercise of those options, the issue of the convertible unsecured loan notes and the allotment of equity capital on the exercise of the conversion rights thereunder;

(ix) On 17th May, 1985, conditional upon permission to deal in the Ordinary Shares in the Unlisted Securities Market being granted—

(i) 120,567 redeemable ordinary shares of 20p each and 136,529 "A" redeemable ordinary shares of 20p each were redeemed at £1 per share;

(ii) Barclays Merchant Bank Limited subscribed for 352,689 Ordinary Shares at an aggregate price of £100,000 and released an option in its favour to subscribe for equity capital in the Company contained in the Shareholders' Agreement;

(iii) 2,946,315 Ordinary Shares were allotted to Citicorp, CIN and The Prudential in consideration of the acquisition by the Company of 2,799,000 cumulative redeemable preference shares of £1 each in Wold Farm Foods owned by them;

(iv) Saquatch Investment Holdings Limited and Derek Clough (being the holders of the convertible unsecured loan notes referred to in sub-paragraph (viii) above) gave notice to the Company exercising in full the conversion rights granted to them pursuant to the conditions attached to the convertible unsecured loan notes and 947,368 Ordinary Shares were allotted to them credited as fully paid up at par together with a premium of 80p per share;

(v) an Extraordinary General Meeting was held at which Special Resolutions were passed—

(i) converting and sub-dividing each of the 1,334,244 ordinary shares of 20p each, 75,054 "A" ordinary shares of 20p each and 131,338 redeemable ordinary shares of 20p each into 151,716 "A" redeemable ordinary shares of 20p each and 23,230 ordinary shares of 20p each;

(ii) increasing the authorised capital of the Company to £1,500,000 by the creation of 23,230,512 Ordinary Shares;

(iii) adopting new Articles of Association;

(iv) capitalising the sum of £646,790.25 out of the share premium account of the Company by way of issuing 12,935,805 Ordinary Shares credited as fully paid up;

(v) the Directors were authorised to exercise all the powers of the Company pursuant to section 14 of the Companies Act 1980 to allot 21,529,555 Ordinary Shares leaving a balance of 8,421,053 Ordinary Shares representing 28.07 per cent of the authorised share capital unissued following the offer for sale. The Company remains subject to the requirements of The Stock Exchange General Undertaking with regard to the issue of securities for cash;

(vi) the Directors were empowered until the conclusion of the Annual General Meeting in 1986 to allot equity securities (as defined in sub-paragraph 17(11) of the Companies Act 1980) pursuant to the authority referred to in sub-paragraph (v) above and limited to the issue of (i) 13,794,746 Ordinary Shares pursuant to the offer for sale (2) 352,689 Ordinary Shares pursuant to sub-paragraph (iii) above and (3) 2,946,315 Ordinary Shares pursuant to sub-paragraph (iv) above and (4) up to an aggregate amount for the duration of the power equal to five per cent of the authorised share capital of the Company at the date and time of the passing of the resolution;

(vii) 3,794,746 Ordinary Shares were allotted to Citicorp International Bank Limited on its nominee pursuant to the Offer for Sale Agreement. (See paragraph 24) below;

(viii) immediately prior to the matters referred to in paragraph (a) above, the issued share capital of the Company was £83,320.40 divided into 84,244 ordinary shares of 20p each, 62,159 "A" ordinary shares of 20p each, 131,338 redeemable ordinary shares of 20p each and 138,331 "A" redeemable ordinary shares of 20p each. Following the implementation of the matters referred to in paragraph (a) above, and subject only to the grant of permission to deal in the ordinary share capital of the Company in the Unlisted Securities Market, the authorised share capital of the Company will be £1,500,000 divided into 30,000,000 Ordinary Shares of which 11,578,947 will have been issued or allotted fully paid or credited as fully paid.

The subsidiaries

(a) Wold Farm Foods was registered in England on 1st July, 1966 as a private company under the Companies Act 1948 with the registered number 682677. Its name on incorporation was Wold Farm Growers Limited and it was changed to Wold Farm Foods Limited on 15th January, 1973.

(b) The original authorised share capital of Wold Farm Foods was £500 divided into 50 ordinary shares of £10 each. By 31st March, 1983 the authorised share capital of Wold Farm Foods had increased to £2,000,000 divided into 100,000 preferred "A" ordinary shares of £1 each, 166,382 ordinary shares of £1 each and 1,733,618 "A" ordinary shares of £1 each of which 166,382 ordinary shares of £1 each and 1,352,432 "A" ordinary shares of £1 each had been issued.

(c) At an Extraordinary General Meeting held on 19th October, 1983, a Special Resolution was passed—

(i) sub-dividing each of 379,502 of the unissued "A" ordinary shares of £1 each into 100 "A" ordinary shares of 1p each and sub-dividing and converting each of 1,464 of the unissued "A" ordinary shares of £1 each into 100 ordinary shares of 1p each;

(ii) £15,186.34 standing to the credit of the reserves was capitalised and used in paying up in full 1,663,820 unissued ordinary shares of 1p each and 1,382,432 unissued "A" ordinary shares of 1p each;

(iii) forthwith upon the allotment of ordinary shares and "A" ordinary shares as set out in (i) above each of the ordinary shares of £1 and each of the "A" ordinary shares of £1 in issue were converted into one deferred share of £1;

(d) At an Extraordinary General Meeting held on 6th December, 1983 a Special Resolution was passed—

(i) consolidating and converting 36,897,700 unissued "A" ordinary shares of 1p each into 365,977 cumulative redeemable preference shares of £1 each and converting 100,000 unissued preferred "A" ordinary shares of £1 each into 100,000 cumulative redeemable preference shares of £1 each;

(ii) increasing the authorised share capital to £4,333,023 by the creation of £2,333,023 cumulative redeemable preference shares of £1 each;

(iii) On 6th December, 1983 2,799,000 cumulative redeemable preference shares of £1 each were issued at par in accordance with the terms of the Shareholders' Agreement;

(iv) On 17th May, 1985, conditional upon permission to deal in the Ordinary Shares in the Unlisted Securities Market being granted—

(i) the Company subscribed for 18 ordinary shares of 1p and 48 "A" ordinary shares of 1p in both cases at par;

(ii) an Extraordinary General Meeting was held at which—

(i) 166,400 ordinary shares of 1p, 1,352,500 "A" ordinary shares of 1p, 1,518,334 deferred shares of £1 and 2,799,000 cumulative redeemable preference shares of £1 were consolidated and converted into 4,333,023 ordinary shares of £1

(2) new Articles of Association were adopted.

Wold Europe

Wold Europe was incorporated on 6th January, 1972 under the name of Ocean Farm (Frozen Foods) Limited as a private company under the Companies Act 1948 to 1967 with the registered number 1037240 and with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1. By 31st March, 1983 1,000 ordinary shares of £1 each had been issued. The name of the company was changed to Wold (F.F.) Europe Limited on 31st May, 1979 and to Wold Farm Europe Limited on 3rd May, 1985.

Edwards & Walkden

Edwards & Walkden was incorporated on 30th May, 1984 as a private company under the Companies Act 1948 to 1981 with the registered number 1820743 and with an authorised share capital of £100 divided into 100 shares of £1 each of which 2 were issued and fully paid. The name of Edwards & Walkden upon

incorporation was Eliteweb Limited and its name was changed to Edwards & Walkden Limited on 3rd July, 1984. By a Special Resolution passed on 31st December, 1984 the authorised share capital was increased to £100,000 divided into 100,000 shares of £1 each and on 31st December, 1984, 1,996 shares of £1 each were allotted at par.

Wold Technical Services

Wold Technical Services was incorporated on 16th July, 1984 as a private company under the Companies Act 1948 to 1981 with the registered number 1832859 and with an authorised share capital of £100 divided into 100 shares of £1 each of which 2 were issued and fully paid. By a Special Resolution passed on 31st December, 1984 the authorised share capital was increased to £100,000 divided into 100,000 shares of £1 each and on 31st December, 1984, 1,996 shares of £1 each were allotted at par.

M & P

M & P was incorporated on 25th June, 1982 as a private company under the Companies Act 1948 to 1981 with registered number 1646717 and with an authorised share capital of £500,000 divided into 500,000 ordinary shares of £1 each. By 31st March, 1983, 60,000 ordinary shares of £1 each had been issued.

Hi-Tech Fire & Security Limited

Hi-Tech Fire & Security Limited (a wholly owned subsidiary of M & P) was incorporated on 16th November, 1983 as a private company under the Companies Act 1948 to 1981 with the registered number 1770600 and with an authorised share capital of £100 divided into 100 ordinary shares of £1 each of which 2 have been issued and are fully paid.

General

(a) Save as disclosed in this paragraph 1, in the two years immediately preceding the date of this document no share or loan capital of the Company or any subsidiary has been issued for cash or other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company or any subsidiary in connection with the issue or sale of any such capital.

(b) Save as disclosed in this paragraph 1 and in paragraph 4, no share or loan capital of the Company or any subsidiary is proposed to be issued or is under option or is agreed to be put under option.

(c) No material issue of shares (other than to shareholders pro-rata to their shareholdings) will be made by the Company within one year of the date of this document without the prior approval of the Company in General Meeting.

(d) Following the offer for sale of 8,421,053 Ordinary Shares will remain unissued of which 1,078,947 are reserved under the Scheme. Save for the reserved shares and pursuant to the offer for sale, no issue of shares will be made by the Company which will effectively alter its control or the nature of its business without the prior approval of the Company in General Meeting.

2. Offer for sale arrangements

(a) By an agreement ("the Offer for Sale Agreement") entered into on 17th May, 1985, Citicorp International Bank Limited and Phillips & Drew have agreed conditionally on the Council of The Stock Exchange granting permission on or before 31st May, 1985 to deal in the Ordinary Shares in the Unlisted Securities Market, to purchase or procure purchasers for a total of 1,468,412 Ordinary Shares at 95p per share and to subscribe or procure subscribers for a total of 3,794,746 Ordinary Shares at 95p per share making an aggregate of 5,263,158 Ordinary Shares at a total purchase and subscription consideration of £5,000 million and to arrange to offer for sale the same number of Ordinary Shares at 95p per share.

(b) The vendors under the Offer for Sale Agreement are as listed below and have agreed to sell the number of Ordinary Shares set out opposite their respective names.

W. R. Brown (Farm) Limited
S. H. Brown (Farm) Limited
H. R. Buckley
E. O. Buckley
D. Clough
C. J. M. Cottingham
D. A. S. Duffield
J. How
J. C. Lyon
N. Newton
Saquatch Investment Holdings Limited
K. Schrevel
J. B. Strawnson

Barclays Merchant Bank Limited
CIN
Citicorp
The Prudential

Total
1,468,412

(c) The Offer for Sale Agreement provides for the Company to pay the expenses of and incidental to obtaining permission to deal in the Ordinary Shares in the Unlisted Securities Market (including the capital duty on the Ordinary Shares being subscribed, the cost of printing, advertising and distributing this document, all accountancy expenses, and the legal expenses of the Company, Citicorp International Bank Limited and Phillips & Drew) and fees to Citicorp International Bank Limited and Phillips & Drew. The total expenses payable by the Company in connection with the offer for sale, including the fees to Citicorp International Bank Limited and Phillips & Drew, are estimated to amount to £420,000 plus V.A.T.

(d) The Company and the vendors under the offer for sale agreement (other than Barclays Merchant Bank Limited, Citicorp, CIN, The Prudential, Derek Clough, and Saquatch Investment Holdings Limited) have given certain general warranties and indemnities to Citicorp International Bank Limited and Phillips & Drew and the vendors (save as aforesaid) have also given an indemnity to the Company, Citicorp International Bank Limited and Phillips & Drew regarding taxation (including capital transfer taxation and estate duty), Derek Clough and Saquatch Investment Holdings Limited have given certain general warranties and indemnities concerning M & P to Citicorp International Bank Limited and Phillips & Drew. All present shareholders, other than Barclays Merchant Bank Limited, CIN and The Prudential have undertaken and Barclays Merchant Bank Limited, CIN and The Prudential have expressed their intentions, not to sell any of the Ordinary Shares in the Company until the completion of the offer for sale on or after 1986 without the prior written consent (such consent not to be unreasonably withheld) of Citicorp International Bank Limited and Phillips & Drew or, in the case of Barclays Merchant Bank Limited, CIN and The Prudential, without prior consultation with, Citicorp International Bank Limited, Phillips & Drew and the Company. In addition all the Directors have given warranties to Citicorp International Bank Limited and Phillips & Drew concerning the accuracy of the information in this document. Under the Offer for Sale Agreement, Citicorp International Bank Limited will pay commission to sub-underwriters of 1% per cent of the offer for sale price.

3. Directors and other interests

(a) The beneficial interests of the Directors in the Ordinary Shares at present are and immediately following the offer for sale will be—

At present
No. of Ordinary Shares (%)
Following the offer for sale
No. of Ordinary Shares (%)

F. O. Silvester
A. L. Coney
R. Newton
C. J. M. Cottingham
D. Clough
D. A. S. Duffield
N. Jackson
F. C. Lyon
J. C. Lyon
J. B. Strawnson

Company
Alec Cony (Farm) Limited
C. J. M. Cottingham Limited
R. M. Cottingham Limited
N. Jackson (Farmers) Limited
N. Jackson (Flaborough) Limited
J. Jackson Limited

174,231
244,461
370,769
216,686
204,453
352,259
1.63

(b) In addition to the above beneficial interests, the following Directors have interests in companies which both now have and will after the offer for sale have the following holdings in the Company—

Director
Company
Alec Cony (Farm) Limited
C. J. M. Cottingham Limited
R. M. Cottingham Limited
N. Jackson (Farmers) Limited
N. Jackson (Flaborough) Limited
J. Jackson Limited

174,231
244,461
370,769
216,686
204,453
352,259
1.63

(c) The interests of holders of more than five per cent of the Ordinary Shares (other than as set out in sub-paragraph (a) above) at present are and immediately following the offer for sale will be—

At present
No. of Ordinary Shares (%)
Following the offer for sale
No. of Ordinary Shares (%)

Citicorp
2,822,729
2,915,107
13.08
13.51
2,559,572
2,651,950
11.86
12.29

The Prudential
2,915,107
13.51
2,651,950
12.29

(d) Apart from the shareholdings specified in sub-paragraphs (a) and (b) above the Directors are not aware of any other shareholding which, after completion of the offer for sale, is expected to amount to five per cent or more of the Company's issued share capital.

(e) The aggregate emoluments of the Directors in respect of the financial year of the Company ended 31st December, 1984 were £84,000. The aggregate emoluments of the Directors in respect of the financial year of the Company ending 31st December, 1985 are estimated, based on the arrangements in force at the date of this document, to be approximately £125,000.

(f) C. J. M. Cottingham Limited (of which Mr. C. J. M. Cottingham is a shareholder and director) is the landlord of the site at Swinhope leased by the Company and referred to in paragraph 7(b) below.

(g) Save as mentioned in paragraph (f) above and other than in respect of the acquisition of the whole of the issued share capital of Wold Farm Foods, none of the Directors has, or has had, any direct or indirect interest in any assets which during the two years immediately preceding the date of this document have been acquired or disposed of by or for or to the Company or M & P or are proposed to be acquired or disposed of by or for or to the Company or M & P.

(h) C. J. M. Cottingham Limited (of which Mr. C. J. M. Cottingham is a shareholder and director) and New Lease Traders (Pee) Limited (of which Mr. A. L. Coney is a shareholder and director) and Mr. Norman Jackson (on behalf of Norman Jackson (Farmers) Limited) each entered into written agreements with Wold Farm Foods on 7th March, 1983 whereunder they are to supply to Wold Farm Foods the total annual crops of peas grown on the respective acreages of land specified in those agreements at prices no more favourable than those payable to other suppliers. The agreements are terminable by either party on the 31st December in any year on the expiration of not less than one year's prior written notice. Alec Cony (Farm) Limited (of which Mr. A. L. Coney is a shareholder and director) has in the last two years supplied vegetable produce to the Group at prices no more favourable than those payable to other suppliers. The amounts received under these arrangements by C. J. M. Cottingham Limited, Alec Cony (Farm) Limited, New Lease Traders (Pee) Limited and Norman Jackson (Farmers) Limited in 1983 respectively were £124,000, £224,000, £386,000, and £113,000 and in 1984 were £202,000, £229,000, £544,000, and £195,000.

(i) Other than in respect of the contracts referred to in sub paragraph (f) above, none of the Directors has any direct or indirect interest in any contract or arrangement subsisting at the date hereof which is significant in relation to the

business of the Group and M & P.

1. The Wold PLC Share Option Scheme

On 7th March, 1985 the Company adopted the Scheme under which options to subscribe for Ordinary Shares have so far been granted under a total of 188,888 Ordinary Shares to employees at a subscription price of 50p per share. Within this total are options over 100,000 Ordinary Shares granted to Les Wheeler. No options have yet been exercised.

Particulars of the Scheme (the terms of which are set out in full in its rules) are as follows—

(a) Eligibility to participate is limited at the discretion of the Directors to full time employees of the Group and M & P (who work twenty hours a week or more excluding meal breaks) and full time directors of the Group and M & P (who work twenty five hours a week or more excluding meal breaks).

(b) The Scheme will not permit anyone who has or has had within the preceding twelve months control over more than ten per cent of the shares of the Company to be granted or to exercise options. The value of shares over which options may be granted to an individual may not exceed four times annual salary.

(c) The price of each share under the Scheme may be acquired will be market value, as agreed with the Inland Revenue for the purposes of the Scheme, or nominal value, whichever is the greater.

(d) Options may normally be exercised only between three years and ten years after their grant.

(e) Options are not transferable.

(f) No options may be granted—

(i) Other than during the period of twenty-one days immediately following the publication of the Company's annual results or half year results save that, in the first year of the Scheme, options may be granted within twenty-one days of the date of the adoption of the Scheme; or

(ii) To any individual who is within two years of normal retirement age.

(g) The maximum number of Ordinary Shares which may be issued under the Scheme cannot exceed five per cent of the issued Ordinary Shares of the Company from time to time at present being 1,078,947 Ordinary Shares. Options may not be granted in respect of more than two per cent of the Company's issued ordinary share capital in any twelve month period commencing on the date of the adoption of the Scheme or any anniversary thereof.

(h) The consideration payable for the grant of each option shall be the sum of £1.

(i) If a participant ceases to be an employee, any option which may previously have been granted to him which remains unexercised will, unless the Directors otherwise decide, immediately lapse save that in the event of death the option may be exercised within one year by the executors of the participant.

(j) If notice is given of a resolution for the voluntary winding up of the Company, a participant will normally be able to exercise his option.

(k) Ordinary Shares issued on the exercise of an option rank in full for all dividends declared or paid on the ordinary share capital of the Company after the date on which the Ordinary Shares are issued (other than a dividend payable to the holders of Ordinary Shares on the register before that date) and in all other respects rank *par passu* with other Ordinary Shares then in issue.

(l) The Scheme contains provisions for the total number of Ordinary Shares available for options, the number of Ordinary Shares comprised in an option and the subscription price payable for each Ordinary Share to be adjusted in the event of certain variations in the ordinary share capital of the Company.

(m) The Scheme may be altered by the Directors, but certain material provisions including the basis of calculation of the subscription price, the maximum number of Ordinary Shares available under the Scheme, the maximum number of options that may be granted to any participant, the period of grant of options and the period of exercise of options may not be altered without the prior approval of the Company in General Meeting. The Directors have been specifically sanctioned by the Company in General Meeting to make any alteration which is necessary or desirable in order to obtain the approval of the Scheme by the Inland Revenue pursuant to the Finance Act 1984. In any event, no amendment may be made to the Scheme without the consent of the Inland Revenue.

(n) The life of the Scheme will be ten years.

2. Service contracts

(a) Service contract dated 17th May, 1985 between the Company and Roger Newton by which Roger Newton agreed to serve the Company as Managing Director for a period of three years commencing on 1st April, 1985 at a salary (reviewable annually) of £40,000 inclusive of Directors' fees. The appointment is automatically renewable for further periods of three years from each third anniversary of its commencement unless prior written notice (three years if given by the Company and one year if given by Roger Newton) of termination is given expiring on any such third anniversary.

(b) Service contract dated 17th May, 1985 between the Company and Dennis Duffield by which Dennis Duffield agreed to serve the Company as Commercial Director for a period of three years commencing on 1st April, 1985 at a salary (reviewable annually) of £20,000 inclusive of Directors' fees. The appointment is automatically renewable for further periods of three years from each third anniversary of its commencement unless prior written notice (three years if given by the Company and one year if given by Dennis Duffield) of termination is given expiring on any such third anniversary.

(c) Service contract dated 17th May, 1985 between the Company and Fraser Lyon by which Fraser Lyon agreed to serve the Company as Operations Director for a period of three years commencing on 1st April, 1985 at a salary (reviewable annually) of £20,000 inclusive of Directors' fees. The appointment is automatically renewable for further periods of three years from each third anniversary of its commencement unless prior written notice (three years if given by the Company and one year if given by Fraser Lyon) of termination is given expiring on any such third anniversary.

(d) Service contract dated 17th May, 1985 between the Company and Ian Wheeler by which Ian Wheeler agreed to serve the Company as Finance Director for a period of three years commencing on 1st April, 1985 at a salary (reviewable annually) of £24,000 inclusive of Directors' fees. The appointment is automatically renewable for further periods of three years from each third anniversary of its commencement unless prior written notice (three years if given by the Company and one year if given by Ian Wheeler) of termination is given expiring on any such third anniversary.

(e) Save as aforesaid there are no service agreements in existence between any directors and any group company which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

3. Subsidiary companies

The following are the subsidiaries of the Company at the date of this document. All are private companies incorporated in England and are wholly owned.

Number of shares held by the Company
Wold Farm Foods (No. 682677)

Wold Europe
1,000 ordinary shares of £1 each
6th January, 1972

Edwards & Walkden
2,000 Shares of £1 each
30th May, 1984

Wold Technical Services
2,000 Shares of £1 each
16th July, 1984

M & P
60,000 ordinary shares of £1 each
25th August, 1982

Hi-Tech

AB Foods below expectations with £132m

Polly Peck maintains its growth with 32% advance

Polly Peck International has maintained its growth record in the first half of its 1984-85 financial year. Pre-tax profits rose by 32 per cent from a restated £21.6m to £28.5m for the 26 weeks to March 1, on turnover 41 per cent higher at £22.8m, against £28.9m.

Mr Asil Nadir, the chairman, says the interim figures not only reflect the contributions of the group's major divisions—agriculture, food and related industries—and of the Wearwell textile operation, but also for the first time, include results from the consumer electronics side and the joint investment with Cornhill Holdings, the Niksar Mineral Water plant.

For the full year, the board is looking forward to more substantial contributions from the new divisions as they become more established, to supplement the continuing growth of the group's major divisions.

Mr Nadir says that although the recent strength of the dollar against most currencies had an inhibiting effect on margins, the returns achieved by the group's agriculture, food and related industries division remains highly satisfactory, with an interim contribution of £20m (£18.5m) to pre-tax profits, on turnover of £28.5m (£25.3m).

The net interim dividend is being lifted by 50 per cent to 1.5p (1p) per 10p share, which the board feels is appropriate in the light of the group's continued growth. Last year's total payment was equivalent to 3.5p on reported pre-tax profits of £50.5m (£24.6m).

Mr Nadir said yesterday he envisaged that discussions would start shortly between the Polly Peck board and the respective boards of Cornhill Holdings and Inter-City Investment Group on the terms of an offer to be made for the balance of shares in those companies not already owned by Polly Peck.

Cornhill's interim figures show a pre-tax profit of £1.9m for the 26 weeks to March 1, as against a £23,000 loss in the previous full year. Turnover amounted to £5.43m and earnings per share were 13.2p.

Inter-City made a taxable profit of £23,000 in the six months to February 28 (£235,000 loss for 8 months to end August 1984) and the board looks forward to continued improved performance over the year. Turnover was £4.9m (£4.9m) and earnings per share came to 4.0p (£1.6p loss).

The group's investment programme in Turkey continues to be heavy, which the board feels is fully justified by the success of its involvement there to date. The board remains committed to expanding its sources of supply and markets inter-

nationally and is continuing to assess the potential of investments outside its current established areas of geographical activity.

Half-year group pre-tax profits included this time a £1.33m share of related companies' results. Tax took £1.4m (£1.38m) and stated earnings per share were 25.2p (£18.8p). Comparatives have been restated to include Wearwell's consolidated results.

The group's agriculture division's fruit and vegetable trading activities have benefited this year from increased fruit packing and storing facilities in Turkey, expanded sources of supply and a wider range of products in Turkey, and increased production in Northern Cyprus.

They were also helped by attractive market conditions in Western Europe, the Comecon markets and the Middle East, in particular for citrus in the early part of the year.

The packaging manufacture operation continued to achieve record performance levels.

The textile division continued to develop its traditional businesses steadily, contributing turnover of £18.5m (£13.4m) and pre-tax profits—after share of related companies results—of £2.8m (£2.7m).

The electronics division made £1.2m pre-tax profit on £10.1m turnover. The result reflects the performance in manufacturing Semi-Knocked-Down Ferguson colour televisions and video recorders, prior to the completion of the major second stage of the plant. The entire plant has now been commissioned.

The Niksar mineral water bottling plant has been steadily building up to full capacity and interim figures included a £1.1m contribution from the group's direct and indirect investment in the plant.

See Lex

Major role for U.S. insurer in buy-out

By Martin Dickson

Prudential Insurance Company of America, one of the leading U.S. financial institutions, is set to play a major role in the £55.8m management buy-out organised for Haden, the engineering company, in an attempt to see off a hostile bid from Trafalgar House.

This is revealed in the management buy-out offer document, published yesterday, which also gives shareholders a loan note alternative to the 80p a share cash offer previously announced.

A new company, Managood, has been formed to finance the buy-out. Its shareholders consist mainly of City institutions—led by the Electric and Globe investment trusts—and 27 senior Haden managers. It will be capitalised by £1m of ordinary share capital, £1m of preference share capital and £15m of loan stock.

However, the document says that Prudential Insurance is expected to take up all the loan stock, as well as 40 per cent of the preference shares and 34 per cent of the ordinary shares.

This would amount to a major U.S. move into the UK venture capital market. Globe and Electric would together hold 41 per cent of the preference shares and 35 per cent of the ordinary shares with other institutions specialising in venture capital taking up much smaller stakes.

Haden's managers would have 15 per cent of the ordinary shares, with the largest stakes—2.4 per cent—held by Mr Peter Simons, the chairman, Mr Philip Ling, the managing director, and Mr Art Gelfer, head of the company's U.S. subsidiary.

Shareholders may elect to receive floating rate loan notes—guaranteed by Morgan Guaranty Trust of New York—for all or part of their holding of ordinary or preference shares. The notes, carrying a rate 1 per cent below Libor, would be redeemable at the holder's option semi-annually between 1985 and 1988.

Managood also revealed yesterday that it had acquired a 2.4 per cent stake in Haden through shares purchased on May 15 at a price of 380p a share. Although that is above the offer price, it is permissible under the take-over code since the bid terms incorporate a 10p second interim dividend payment by Haden.

Trafalgar House has yet to decide whether or not to increase its bid for Haden.

Hard Rock plans to become big noise on unlisted market

BY STEFAN WAGSTYL

The Hard Rock Cafe, one of London's most glamorous hamburger bars, is planning a stock exchange flotation later this year.

The Piccadilly restaurant, currently quoted on the over-the-counter market with a capitalisation of £11m, is looking to join the Unlisted Securities Market.

The company's likely market value will be greatly increased by the planned consolidation of interests in the Hard Rock Cafe in New York and rights to the restaurant name throughout the world.

The company and its financial advisers, Svenska International, are working out the details of this restructuring.

Opened in 1971, the Hard Rock Cafe's fame and fortune was born with its popularity with the stars of rock and pop music, among them the Beatles and the Rolling Stones.

More recent patrons have included tennis champions John McEnroe and Jimmy Connors.

Its founder was Mr Isaac Igret, an American who holds 60 per cent of the equity following the flotation of the company on the OTC Market by Harvard Securities in 1983.

In the year to the end of July last year the Hard Rock Cafe made profits of £300,000 pre-tax on sales of £2.1m.

But these figures do not include the profits of the U.S. restaurant in which the UK company has a 10 per cent stake. Opened in March last year, the restaurant—just off Broadway—is also said to be highly successful, selling the same range of hamburgers and steaks, to the same sound of loud rock music.

If the company's consolidation plans are successful, it intends to expand elsewhere, notably in Continental Europe, in the U.S., and in the Far East.

One possibility in the development of franchise operations on the lines of a restaurant opened earlier this year in Stockholm.

Henderson offer extended

BY TERRY POVEY

Henderson Group, has extended the closing date for acceptance of its share offer for R. Cartwright (Holdings) in June 7.

The terms of the offer, five Henderson shares for every nine of Cartwright's, has not been changed.

Acceptances to May 17, the first closing date, totalled 9,086 Cartwright shares or 0.0014 per cent of the target's outstanding equity. Henderson owned 4.8 per cent of Cartwright prior to the bid and has not increased this through direct purchases subsequently.

Both companies are in the building supplies industry—with Henderson having diversified into security related activities in

the UK and the U.S. Robert Fleming are advisers to Henderson while County Bank Act for Cartwright.

At the close yesterday Henderson's shares were down 10p at 230p while Cartwright was unchanged at 178p. Concern at the prospect of a higher bid is said by dealers to have led to the selling pressure against Henderson.

Falcon

Mr M. W. Hindmarch, a director of Falcon Industries, has disposed of 500,000 shares in the company. Because of an agency error, yesterday's item in the share stakes column incorrectly referred to Falcon Resources.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

TODAY
Interim—Aspinall Holdings, J. Shipby, City Site Estates, Greenall Whitely, Howard Group, Johnson and Finch Brown, Banks Nova McDougall, Seatchi and Seatchi, Spencer Clark Metal Industries.
Final—British American Film, British-Bornas Petroleum Syndicate, Caparo Industries, Comprehensive Financial Services, Compsoft, Fine

FUTURE DATES
Dundee and London Inv. Trst. June 20
National Australia Bank June 23
Pyls Holdings June 25
Redfern National Union June 27

Finals
Delyn Packaging May 24
Bentley May 25
Humar Sapir May 30
Lap Group May 30
Littoral International May 31
Pilkington Brothers June 12
Sherraton Securities Int'l. June 26
Starchley June 5
Weeks Associates May 23

Moss and Cole in battle of words

Robert Moss, the manufacturer and distributor of plastic injection mouldings, yesterday fired the opening shots in its contested £5.2m bid for Cole Group by criticising Cole's profitability.

Moss, advised by Brown, Shipley & Co, said that Cole's latest annual results, showing a fall in pre-tax profits from £227,000 to £278,000, failed to bear out optimistic statements made by Cole's management last October.

Cole, advised by Samuel

Montagu, countered by saying that profits for the first six months of the year were "very substantially better" than the first half in 1984. No figures were offered, but Cole intends to provide details before the first closing date on June 7.

In its offer document, Moss discloses that in 1984 it held preliminary, but inconclusive, discussions with Cole on possible co-operation. They followed the purchase of an 8.1 per cent stake

in the company.

"Moss believes that the incorporation of Cole... will enhance the prospects of achieving a return on turnover and capital to the benefit of shareholders of the enlarged group," Moss says.

The offer is 67 new shares and £100 in cash for every 100 Cole shares. On the basis of last night's closing prices, it values Cole at £5.2m or 173.7p a share. Moss shares closed at 110p, up 9p on the day, Cole closed at 150p, 10p on the day.

Most investment banks believe in carefully timing new issues. Some even practise it.

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London EC2N 1EY/England
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Kingdom of Spain

U.S. \$375,000,000
Floating Rate Notes Due 2005

Holders of Notes of the above issue are hereby notified that for the third Interest Sub-period from 22nd May, 1985 to 24th June, 1985 the following will apply:

1. Interest Payment Date: 20th September, 1985
2. Rate of Interest for Sub-period: 8 7/8% per annum
3. Interest Amount payable for Sub-period: US\$ 76.20 per US\$ 10,000 nominal US\$ 1,904.95 per US\$ 250,000 nominal
4. Accumulated Interest Amount payable: US\$ 243.39 per US\$ 10,000 nominal US\$ 6,084.64 per US\$ 250,000 nominal
5. Next Interest Sub-period will be from 24th June, 1985 to 24th July, 1985.

Agent Bank
Bank of America International Limited



S.F.E. INTERNATIONAL N.V.

U.S. \$70,000,000

Guaranteed Floating Rate Notes Due 1988

Guaranteed by

Société Financière Européenne
- S.F.E. Luxembourg

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the six months 21st May, 1985 to 21st November, 1985 has been fixed at 8 7/8% per cent per annum and that the coupon amount payable on coupon No. 8 will be U.S. \$225.21.



The Sumitomo Bank, Limited

Agent Bank

FIRST CHICAGO OVERSEAS FINANCE N.V.

U.S. \$100,000,000 Guaranteed
Floating Rate Subordinated Notes
Due 1994

For the three months
21st May 1985 to 21st August 1985
The notes will carry an interest rate of 8 7/8% per annum with a coupon amount of U.S. \$217.22. The relevant interest payment date will be 21st August 1985

Listed on the London Stock Exchange
Bankers Trust Company
Agent Bank

This announcement appears as a matter of record only.



Arab Banking Corporation (B.S.C.)

(Incorporated with limited liability in the State of Bahrain)

HK\$360,000,000
Floating Rate Notes Due 1990

BANK OF CHINA, HONG KONG
CITICORP CAPITAL MARKETS GROUP
SUN HUNG KAI INTERNATIONAL LIMITED

BANQUE PARIBAS CAPITAL MARKETS
PARIBAS ASIA LIMITED
CCIC FINANCE LIMITED
MANUFACTURERS HANOVER ASIA LIMITED
BARCLAYS BANK PLC
LLOYDS BANK INTERNATIONAL LIMITED
ORION ROYAL PACIFIC LIMITED

ASIAN OCEANIC LIMITED
THE CHINA & SOUTH SEA BANK LIMITED
MITSUBISHI FINANCE (HONG KONG) LIMITED
SUN HUA TRUST SAVINGS & COMMERCIAL BANK LIMITED
SUN HUNG KAI BANK LIMITED
YOKOHAMA ASIA LIMITED
CHINA DEVELOPMENT FINANCE COMPANY (HK) LIMITED
EAST ASIA WARBURG LIMITED
SANWA INTERNATIONAL FINANCE LIMITED
YAMAICHI INTERNATIONAL (HK) LIMITED

May, 1985

SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Tuesday May 21 1985

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as stockpiles
grow, Page 44

هكتر من النهر

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WALL STREET

Rate cuts
spur move
to peaks

SPURRED BY the Federal Reserve's cut in the discount rate, and by prime rate reductions by the major banks, stock prices on Wall Street moved to peaks in early trading, writes Terry Byland in New York.

Stocks quickly gained more than 19 points, taking the Dow Jones industrial average through its previous closing peak and above the 1,300 mark briefly pierced in March.

At 3pm the Dow Jones industrial average was up 19.88 at 1,303.22.

Turnover was extremely heavy and the advance quickly spread throughout the market as hopes of lower interest rates spread.

By mid-session advances led declines by about eight to one. Both the NYSE and Standard & Poor's 500 index also touched new peaks.

Friday's decision by the Federal Reserve to cut its discount rate from 8 per cent to 7.5 per cent set the stage for today's meeting of the Fed's Open Market Committee (FOMC). A dip in the federal funds rate to 7 1/2 per cent strengthened

hopes that the FOMC will vote for a further easing in credit policies.

Bond prices jumped by a full point initially, but topped off as the dollar rallied in the foreign exchange markets. Yields on long-dated federal bonds fell to around 10.83 per cent.

Blue-chip industrial stocks opened strongly, and there were also gains in such interest rate sensitive sectors as banks, insurance groups and utilities.

IBM traded \$1 1/4 up at \$132, and Burroughs advanced \$1 1/4 to \$65 1/4.

Motor stocks responded quickly to expectations that lower interest rates will strengthen sales. At \$69 1/4, General Motors gained \$1, Ford added \$ 1/4 to \$42 1/4 and Chrysler \$ 1/4 to \$38 1/4.

Retail issues also moved higher in response to lower interest rates. May Department Stores at \$49 1/4 gained \$1 1/4 and American Stores \$1 1/4 to \$57 1/4. First quarter figures left K mart \$1 1/4 better at \$37 1/4, but Carter Hawley Hale \$ 1/2 easier at \$28 1/4.

Among banks, Chase Manhattan stood out with a gain of \$1 1/4 to \$60 1/4, as did J.P. Morgan, \$1 1/4 higher at \$52 1/4. The banks have been benefiting from lower money market rates over the past weeks.

In chemicals, Du Pont at \$59 1/4 gained \$1 1/4. Pharmaceuticals, responding strongly to a weaker dollar which helps their substantial overseas sales, saw Pfizer, \$1 1/4 up at \$49 1/4 and Merck \$1 1/4 higher at \$105 1/4.

Airline stocks strengthened, with the exception of United, \$ 1/2 down at \$46 1/4 as

the pilots' strike talks commenced. Heavy turnover lifted Pan American by \$ 1/4 to a new 52-week high of \$6 1/4.

Unocal stock failed to open for trading as the board said it was in talks with Mesa Petroleum, after a Delaware court upheld Unocal's decision to exclude Mesa from the proposed stock buyback.

The response to the discount rate cut overshadowed other features in the market. Loews Corporation added \$ 1/4 to \$50 1/4 after a 1.1m share block was crossed in the market at \$50.

In the credit markets, short-term rates continued to fall, spotlighted by a drop of nearly 30 basis points in certificate of deposit rates in response to the prime rate reductions throughout the banking sector. With a heavy weight of

Canadian stockmarkets were closed for the Victoria Day national holiday.

short-term Treasury funding due this week, falls in Treasury Bill rates were restricted to about 5 basis points.

The bond market took its cue from the foreign exchange markets, where an early plunge in the dollar sent bond prices soaring. Later, gains were trimmed to show net rises of just under 1 point at the longer end of the market.

LONDON

Encouraged
by a revival
in gilts

GILT-EDGED stocks, previously out of favour in London, responded strongly to the sharp rise in the exchange rate and lent support to leading shares.

Enthusiastic institutions took longer-dated gilts 1 1/2 point basis points higher, while shorts gained about 1/2.

The FT Ordinary share index closed 7.7 up at the day's high of 1,018.

Equities opened the session rather cautiously, reflecting the effects of the pound's strength on international stock earnings.

Some of the early nervousness was also attributed to fears that an examination by Ofel - the UK regulatory body for the communications industry - of the proposed purchase of Canada's Mite by British Telecom could trigger an investigation by the Office of Fair Trading.

Chief price changes, Page 36, Details, Page 37, Share information service, Pages 38-39

AUSTRALIA

GOLDS led the way in an active Sydney where prices rebounded from Friday's technical decline to finish at record highs.

The gold index rose above 1,000 for the first time, adding 15.8 to 1,011.6. The All Ordinaries index was also higher, up 3.9 at 904.6.

Gold Mines of Kalgoorlie put on 30 cents to AS10.80. Central Norseman was 28 cents higher at AS9.60 and both Boulders and Poseidon added 5 cents to AS2.40 and AS4.45, respectively.

In banks, Westpac rose 10 cents to AS4.25 following higher half-year profits, while ANZ shed 4 cents to AS4.66.

HONG KONG

A CUT in local interest rates in Hong Kong during the weekend was largely discounted and shares eased across the board on profit-taking.

Despite a government auction at well above market expectations of prime commercial land, property stocks drifted lower. Cheung Kong lost 20 cents to HK\$18.90, Hongkong Wharf was unchanged at HK\$6.55 and Hongkong Land shed 5 cents to HK\$5.95.

Among other blue chips, Jardine Matheson was 20 cents lower at HK\$11.50 and both Swire Pacific A and Hutchison Whampoa shed 30 cents to each end at HK\$24.20.

SINGAPORE

SELECTIVE and speculative buying helped Singapore to rise, bolstered by a cut in prime lending rates by some local banks and despite lower economic growth figures.

The Straits Times industrial index firmed 8.68 to 828.98.

Attention centred on blue chips with Genting 10 cents higher at S\$6.45 and Sime Darby 8 cents ahead at S\$2.18.

In banks, both DBS and OCBC rose 5 cents to S\$6.40 and S\$6.55 respectively. Hotels, properties and commodities also showed slight gains, while financials were unchanged to higher.

SOUTH AFRICA

SENTIMENT was boosted in Johannesburg by the Reserve Bank's reduction in its base discount rate, which was rapidly followed by cuts in prime lending rates at several banks.

Golds gained strongly with Vaal Reef up R3.50 at R193 and Lorraine 45 cents higher at R10.25.

Elsewhere, diamond share De Beers added 5 cents to R10.80 and Anglo American put on a similar amount to R29.

EUROPE

Frankfurt
spearheads
advance

INVESTORS in most European bourses yesterday warmly welcomed last Friday's decision by the U.S. Federal Reserve to cut its discount rate.

Frankfurt was singled out for most support. Led by rallies in the automotive and banking sectors, the Commerzbank index reached its second successive peak with a 14.1 rise to 1278.8.

The Fed's action was interpreted as widening the Bundesbank's room to manoeuvre with domestic interest rates, possibly allowing the central bank to drop key lending rates.

Foreign buying coupled with support from domestic banks helped reinforce the general confidence, although late profit-taking pulled prices down from their highs for the day.

Among the banks, Deutsche closed DM 6.40 higher at DM 482.70. Dresdner rose DM 3.90 to DM 225.2 and Commerzbank firmed DM 6 to DM 181.

BMW featured among the car makers, ending at its peak for the day - up DM 9.50 at DM 372.50 - despite news of lower first-quarter BMW car registrations. Volkswagen followed with a DM 8.80 advance to DM 241.80, although Porsche eased DM 10 to DM 1,175.

The favourable profit outlook for chemical companies continued to underwrite investor backing. BASF closed DM 3 higher at DM 213.50, Bayer DM 3.70 up at DM 224.50 and Hoechst added DM 3.10 to DM 228.30.

Engineering stocks failed to share the support and most closed down. KHD fell DM 4.50 to DM 243, although Linde moved against the trend with a DM 8.50 rise to DM 446.

Bond prices also responded positively to the Fed's discount rate cut, closing higher in lively trading. The U.S. dollar's decline also lifted the tone.

Trading in Zurich was the most active for several weeks. Banks and insurance companies posted especially sharp gains on speculation of falling interest rates with foreign buyers in evidence.

Swiss Re stood out with a SwFr 575 improvement to SwFr 12,280, while Winterthur climbed SwFr 295 to SwFr 5,270.

and Zurich Insurance SwFr 175 to SwFr 5,500.

Prominent among the banks were Credit Suisse up SwFr 70 to SwFr 2,580, Bank Leu SwFr 40 higher at SwFr 3,740 and Dow Banking SwFr 20 ahead at SwFr 1,150.

In Brussels, turnover rose sharply as traders reacted to news of a reduction in the country's official discount rate. Holdings companies, banks and utilities gained the best support. Petrofina, the nation's largest industrial company, surprisingly failed to follow the pattern and closed BFr 50 lower at BFr 8,800.

Key market indicators in Amsterdam hovered around their peaks for the year, although there was a much narrower margin between advances and declines than in other markets.

Many stocks rose in late trading, helped by Wall Street's brisk opening. Unilever, which was down earlier, firmed to finish FI 1 higher at FI 342, a trend followed by Royal Dutch up FI 8.30 at FI 203.7 and KLM FI 1 firmed at FI 59.60.

Hopes of lower interest rates backed a surge on the bond market.

Domestic considerations steered the course of trading in Stockholm as the end of the 18-day civil servants' strike brought last week's steep decline to an abrupt halt.

The Veckens Affarer index added 3 to 481.4 which advances holdings a 87 to 44 advantage over declines.

The diversified Gambio group was the most active stock and closed up SKr 4 to SKr 85, while Electrolux was also heavily traded to firm SKr 1 SKr 302.

Volvo moved against the trend before Wednesday's annual meeting, when its first-quarter results will be announced, and eased SKr 3 to SKr 240.

In a technical reaction to 10 days of successive rises, Paris registered modest losses in most sections, although volume was thin.

Michelin traded independently of the market's general mood and firmed FFf 28 higher at FFf 960 in continued reaction to last week's profit announcement.

Mild profit-taking in Milan made inroads on last week's strong improvement. The most notable losses included Pirelli, down L99 to L2,460, and Olivetti L6 lower at L6,550. Montedison firmed a further L16 to L1,894.

Madrid fell in thin trading, although the banking sector recorded a marginal gain.

TOKYO

Selective
buying on
firmer yen

ENCOURAGED by the yen's firmness against the U.S. dollar, buying interest centred on electric utilities, trading houses and asset-rich stocks to send share prices moderately higher in Tokyo yesterday, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei-Dow market average gained 42.96 points from last week's close to 12,559.10. Advances outnumbered declines by 453 to 310, with 148 issues unchanged. Trading was relatively heavy at 442m shares, down from 589.65m last Friday.

The U.S. Federal Reserve Board's cut in the official discount rate by 0.5 per cent to 7.5 per cent on Friday caused the yen to gain strength in Tokyo, breaking the barrier of Y250 to the U.S. dollar. Investors were also looking for domestic interest rates to fall further.

However, the market was generally dull as some incentive-backed issues, such as Asahi Chemical Y34 lower at Y366, and Nippon Yusen, down Y8 at Y286, which acted as prime movers last week, fell to profit-taking.

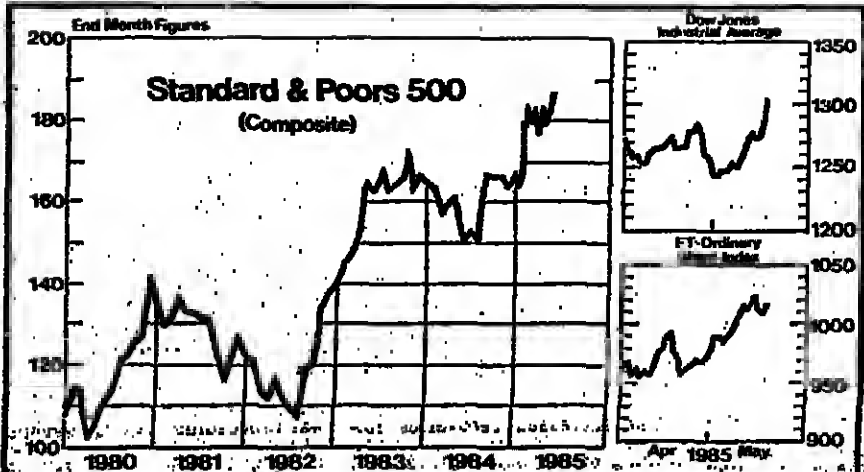
Electric utilities and gas issues, which are expected to benefit from fuel costs, fared well. Tokyo Gas topped the most active list with 24.32m shares changing hands, but it closed Y3 lower at Y210.

Asset-rich stocks attracted strong buying interest. Nippon Express, the second busiest issue with 19.56m shares traded, rose Y8 to Y384. Tobu Railway, the fifth with 12.78m shares, advanced Y3 to Y286 and Tokyo Corp. Y8 to Y395.

Bond prices firmed, bolstered by mounting investor expectations that the Fed's discount rate cut would lead to lower domestic interest rates. Trading centred on 7.0 per cent government bonds due in June 1994, with the yield declining sharply to 6.700 per cent from Saturday's 6.740 per cent.

The yield on the benchmark 7.3 per cent bonds maturing in December 1993 remained unchanged at 6.665 per cent, while that on 8.8 per cent bonds, now replacing the 7.3 per cent bonds as the benchmark issue, rose from 6.625 per cent to 6.640 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES			
	May 20	Previous	Year ago
NEW YORK			
DJ Industrials	1,305.22	1,285.34	1,133.78
DJ Transport	628.54	622.56	474.59
DJ Utilities	164.91	164.75	122.31
S&P Composite	189.82	187.42	155.78
LONDON			
FT Ord	1,016.0	1,008.3	876.2
FT-SE 100	1,330.8	1,327.4	1,104.9
FT-A All-share	639.68	637.91	520.86
FT-A 500	700.92	699.32	571.16
FT Gold mines	489.5	484.1	682.4
FT-A Long gilt	10.73	10.82	10.80

CURRENCIES			
	May 20	Previous	May 20
(London)			
\$	1.2825	1.2825	1.2825
DM	3.034	3.0685	3.0625
Yen	249.8	250.85	300.0
FFf	9.58	9.37	11.845
SwFr	2.5825	2.5825	3.27
Guilder	3.428	3.4775	4.3975
Lira	1.9570	1.9570	2.4845
BPf	60.35	62.4	78.2
CS	1.3688	1.373	1.735

INTEREST RATES			
	May 20	Prev	
Euro-currency (3-month offered rate)			
\$	12 1/2%	12%	
SwFr	5 1/2%	5%	
DM	5%	5%	
FFf	10%	10%	

U.S. BONDS			
	May 20	Prev	
Treasury			
9% 1987	101 1/2	100 1/2	9.25%
11% 1992	106 1/2	106 1/2	10.5%
11% 1995	104 1/2	105 1/2	10.2%
11% 2015	103 1/2	103 1/2	11.04%

FINANCIAL FUTURES			
	May 20	Prev	
Chicago			
U.S. Treasury Bonds (CBT)			
8% 32nds of 100%	75-14	75-27	74-28
U.S. Treasury Bills (IMM)			
\$1m points of 100%	92.75	92.80	92.70

COMMODITIES			
	May 20	Prev	
(London)			
Silver (spot ftdng)	509.10p	510.90p	
Copper (cash)	£1,188.50	£1,186.50	
Coffee (July)	£2,055.00	£2,084.00	
Oil (spot Arabian light)	£26.725	£26.95	

GOLD (per ounce)			
	May 20	Prev	
London	\$323.05	\$322.50	
Zurich	\$323.75	\$322.45	
Paris (fndng)	\$323.95	\$318.48	
Luxembourg	\$324.50	\$318.48	
New York (June)	\$318.30	\$321.00	

WORLD			
	May 17	Prev	Year ago
Capital Int'l	209.7	207.8	181.8

Wherever you go, your Eurocard is welcome. At over 5,000 establishments worldwide, including countless hotels, Hilton Hotels, Hotel Ducl d'Anst, The Century, Holiday Inn Hotels, Gray d'Albion, Inter-Continental Hotels, Atlas, Raza Sayang Beach, Ramada Hotels, Tour Masson, Ajanta, Ambassador, Hotel d'Alfonso, Loews Hotels, Atlantis, Jia Jiang Hotel, Alhambra, Hyde Park Hotel, Balkanmont Hotels, The Savoy, Hotel de Paris, Claridge, Georges V, Majestic, Daniel, Altis, Buenos Aires Alvar Palace, Marriott Hotels, Sankawa, Habana Libre, Novotel, Mamara, Steigenberger, Sheraton Hotels, Dragon Hotel, Amalia, Marki, San Pacific, Pullman, Hondera Maya, Thushouse, British Transport Hotels, Jolly Hotels, Desert Inn, Mayfair, Tianan Palace, Brisbane Park Hotel, Dan Carmel, Melis, Scandinavia, Howard Johnson Hotels, Mediterranean, Canadian Pacific Hotels, Rambaldi Palace, Gresham, Regency, Ambassador Swiss Hotel, Hotel del Lago, Mercure Hotel, Schweizerhof, Grand Metropolitan, Michelangelo, Dold, Osterreichischer Hof, Del Prado, Jebel Ali, Miyako, Spiller Hotel, Monte Carlo, Black Hotels, Holmenkollen, Gar, Meridian Hotel, Esso Motor Hotel, Aruba Concord, Montreux Palace, Hotel des Indes, Mont Blanc, Drei Koenige, Callon, New Otari Hotel, Four Seasons Hotel, Mount Nelson, Glenageary, Karla Lumpur, Merin, Elch Lucien B, Sofitel, Hungai, Tivoli, American, Viscon, Apollo, Grand, Aranda, West, Arist, Thistle, Forum, Agir, Dwan, Tres R, Tinas, Majest, Guar, Centur, Gran, Elap, Amigo, Beaus.

Eden Roc, Hotel d'Anglet, Courmou, Whithall, Villa Medici, Valparaiso Palace, Obexel Hotels, Hyatt Hotels, Kyoto Tower, Ciga Hotels, Lai Lai Shingala, Obis Hotels, Nagoya Castel, Riyadh Palace, Panta Hotels, Acapulco R, Cavalieri, Alhambra Palace, Fairfax, Waldorf Astoria, PLM Hotels, Negresco, Carlton, Excelsior, Climat de France H, Flamingo Tower, Shelbourne, Lancaster, Postojen Hotels, Old Melbourne, Crest Hotel, Solstrand Fjord, Libertas, Frontel, The Manila Peninsula, La Concha, Beverly Hills, The Chateau Champlain, La Perouse, Sonesta, Taj Mahal, Red Sea Palace, Sands, Gran Bolivar, Grati Palace, Ritz, Ibis Hotels, Sahara, Bauer Guttenwald, Kalastajatorpa, Inter Dk Hotels, Hotel du Rhone, Weston Hotels, Chosun Beach Palace, Novara Park Elysées, Vier Jahreszeiten, Tulip, Le Chateau Frontenac, Capitan Cook, Beitarnis, Tahiti Beachcomber, The Pierre, Cocagne, The Stamford Court Hot, Churchill, Berkshire Palace, Hollywood Roosevelt, European Motel Federation, Kempinski Hotels, Beijing Hotel, I



Eden Roc, Hotel d'Anglet, Courmou, Whithall, Villa Medici, Valparaiso Palace, Obexel Hotels, Hyatt Hotels, Kyoto Tower, Ciga Hotels, Lai Lai Shingala, Obis Hotels, Nagoya Castel, Riyadh Palace, Panta Hotels, Acapulco R, Cavalieri, Alhambra Palace, Fairfax, Waldorf Astoria, PLM Hotels, Negresco, Carlton, Excelsior, Climat de France H, Flamingo Tower, Shelbourne, Lancaster, Postojen Hotels, Old Melbourne, Crest Hotel, Solstrand Fjord, Libertas, Frontel, The Manila Peninsula, La Concha, Beverly Hills, The Chateau Champlain, La Perouse, Sonesta, Taj Mahal, Red Sea Palace, Sands, Gran Bolivar, Grati Palace, Ritz, Ibis Hotels, Sahara, Bauer Guttenwald, Kalastajatorpa, Inter Dk Hotels, Hotel du Rhone, Weston Hotels, Chosun Beach Palace, Novara Park Elysées, Vier Jahreszeiten, Tulip, Le Chateau Frontenac, Capitan Cook, Beitarnis, Tahiti Beachcomber, The Pierre, Cocagne, The Stamford Court Hot, Churchill, Berkshire Palace, Hollywood Roosevelt, European Motel Federation, Kempinski Hotels, Beijing Hotel, I

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Prices at 3pm. May 20

New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

Continued on Page 35

Prices at 3pm, May 20

Continued on Page 36

Continued on Page 36

[illegible]

OVER-THE-COUNTER Nasdaq national market, 2:30pm prices[illegible]

368	51 ₂	51 ₂	51 ₂
28	31 ₂	31 ₄	31 ₄
57	18 ₂	18 ₂	18 ₂

lmcCo	64	18%	16%	18%	+ $\frac{1}{2}$	Ceresak	1275	12%	12%	12%	- $\frac{1}{2}$	Campbell	78	6%	6%	8%	-	
indT1	385	5 $\frac{1}{2}$	6	5 $\frac{1}{2}$	- $\frac{1}{2}$	Ceresak	59	154	4 $\frac{1}{2}$	3 $\frac{1}{2}$	3 $\frac{1}{2}$	Gesspi	1	6%	6%	8%	-	
rdMed	321	8 $\frac{1}{2}$	4 $\frac{1}{2}$	4 $\frac{1}{2}$	- $\frac{1}{2}$	Ceresak	.08	35	7 $\frac{1}{2}$	7 $\frac{1}{2}$	7 $\frac{1}{2}$	ComWr	1	80	24%	24%	+ $\frac{1}{2}$	
nddy	5	11	11	11	+ $\frac{1}{2}$	Cartag						ComWr	1.48	04	20%	19%	20%	+ $\frac{1}{2}$

"What's special about these Danish companies?"

Aktiybanken, American Express Bank A/S, Andelsbanken, Andelskassa m.b.a., Bank of America, Baltica-Nordisk RE, Benzons & Benzons, Burmeister & Wain Skibsværft A/S, Burmeister & Wain Scandinavian Contractor A/S, Borsinformation ApS, Carlsberg Breweries, Cerekas A/S, C&G Banken A/S, The Chase Manhattan Bank N.A., Copenhagen, A/S Cheminova, Christian Rosing International A/S, Christiani & Nielsen A/S, Citibank, N.A., Codan Forsikring, Control Data A/S, Danish Steel Works Ltd., Danmarks Sparerkskasseforening, Dansk Otie & Notergaas A/S, Den Danske Bank, Den Danske Provinsbank A/S, DFDS A/S, De Forenede Bryggerier A/S, Finansieringsinstituttet for Industri og Håndværk, A/S H. Foss Electric, Faxø Kalk, Grosserer Societiet, Gutesmørghus, Handelsbanken, A/S Holtecoos, J. C. Humpel's Skibsvarv-Fabrik A/S, H. Hoffmann & Sønner A/S, Jyske Bank, Kemp & Lauritzen A/S, Kongelige Koncerntestskole A/S, The Bank of Copenhagen, Københavns Frandsen/Copenhagen Stock Exchange, Larsen & Nielsen Construction Holding A/S, L.L.NES A/S, New York

D's P													D's P												
High Low Stock													High Low Stock												
Div. Yld. %													Div. Yld. %												
P/E 100s High													P/E 100s High												
Low													Low												
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WORLD ECONOMIC INDICATORS every Monday in the Financial Times

01 12 11 11

please contact Mr. Ejvind Pedersen in Copenhagen:

01-13 44 41

MARKET REPORT

Strong Gilt-edged revival encourages firmer tone in equity sectors

Account Dealing Dates

Option

First Declared Last Account

Dealing Times Dealings Day

Apr 29 May 9 May 10 May 20

May 13 May 20 May 21 May 24

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FINANCIAL TIMES STOCK INDICES

	May 20	May 17	May 10	May 3	May 1	Year ago
Government Secs.	80.85	80.50	80.07	80.57	80.75	79.75
Fixed Interest	55.65	55.34	55.38	55.50	55.58	54.50
Ordinary	1018.0	1008.5	1012.5	1008.5	1016.5	975.2
Gold Mines	482.5	484.1	488.8	496.9	511.5	497.1
Ord. S. & Y.	4.56	4.08	4.58	4.47	4.08	4.46
Earnings, Yld. (Full)	11.50	11.54	11.50	11.52	11.36	10.87
P/E Ratio (Net)	10.09	10.07	10.06	10.06	10.70	10.85
Total Returns (Est.)	27.136	26.479	26.748	26.607	26.761	27.077
Equity turnover (%)	37.55	44.57	46.57	46.57	47.0	43.7
Share turnover (m)	21.65	24.4	22.8	25.7	28.5	16.7

10 am 1008.2, 11 am 1008.5, Noon 1010.5, 1 pm 1011.2, 2 pm 1011.5, 3 pm 1011.8

Basis 100 Govt. Secs. 15/10/78, Fixed Int. 1928, Ordinary 1/7/75, Gold Mines 12/9/75, SE Activity 1974, Latest Index 01-246 8028, * H=10.24

HIGHS AND LOWS

	1985	Since Compil'n	May 17	May 18
Govt. Secs.	80.85	79.03	80.85	80.85
Fixed Int.	55.65	54.50	55.65	55.65
Ordinary	1018.0	975.2	1018.0	1018.0
Gold Mines	482.5	484.1	482.5	482.5

S.E. ACTIVITY

	1985	Since Compil'n	May 17	May 18
Govt. Secs.	80.85	79.03	80.85	80.85
Fixed Int.	55.65	54.50	55.65	55.65
Ordinary	1018.0	975.2	1018.0	1018.0
Gold Mines	482.5	484.1	482.5	482.5

Clearers quietly firm

Buyers returned to the market after a quiet day, with clearing prices for most securities unchanged. The clearing price for the 10-year gilt was 101.00, and for the 10-year gilt was 101.00.

Debenhams feature

Debenhams, the retail chain, was a feature of the market. The company's shares were trading at 101.00, and the company's shares were trading at 101.00.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS

Mon May 20 1985

Figures in parentheses show number of stocks per section

Index No.

Day's Change

Est. Value

Gross Div. Yield

Est. P/E Ratio

Index No.

Index No.

Index No.

Index No.

Index No.

Index No.

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Ordinary	1018.0	975.2	1018.0	1018.0
Gold Mines	482.5	484.1	482.5	482.5

F. H. Tomkins good

F. H. Tomkins, the industrial group, was a feature of the market. The company's shares were trading at 101.00, and the company's shares were trading at 101.00.

Gold rally

Gold prices were a feature of the market. The price of gold was 101.00, and the price of gold was 101.00.

EUROPEAN OPTIONS EXCHANGE

Series

Vol.

May

Last

Vol.

Aug.

Last

Vol.

Nov.

Last

Vol.

Dec.

Last

Vol.

Jan.

Last

Vol.

Feb.

Last

Vol.

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Last

Vol.

Dec.

Last

Vol.

Jan.

Last

INDUSTRIALS—Continued LEIS

[illegible]

OVER-THE-COUNTER

Continued from Page 36

DoldbA	.72	152	25 $\frac{1}{4}$	25	25
Doldm	.26	157	18	15 $\frac{1}{2}$	15 $\frac{1}{2}$

[illegible][illegible][illegible]

Sales	High	Low	Last	Chng	Stock	Sales	High	Low	Last	Chng
20	20	20	20	0		20	19	18	15	+
282	174	158	17	-	Liby A	.38	182	181	13	+
58	80	8	5	-	Liby B	.38	182	181	13	+
80	8	8	5	-	Liby C	.38	182	181	13	+
80	8	8	5	-	Liby D	.38	182	181	13	+
58	80	8	5	-	Liby E	.38	182	181	13	+
58	80	8	5	-	Liby F	.38	182	181	13	+
58	80	8	5	-	Liby G	.38	182	181	13	+
58	80	8	5	-	Liby H	.38	182	181	13	+
58	80	8	5	-	Liby I	.38	182	181	13	+
58	80	8	5	-	Liby J	.38	182	181	13	+
58	80	8	5	-	Liby K	.38	182	181	13	+
58	80	8	5	-	Liby L	.38	182	181	13	+
58	80	8	5	-	Liby M	.38	182	181	13	+
58	80	8	5	-	Liby N	.38	182	181	13	+
58	80	8	5	-	Liby O	.38	182	181	13	+
58	80	8	5	-	Liby P	.38	182	181	13	+
58	80	8	5	-	Liby Q	.38	182	181	13	+
58	80	8	5	-	Liby R	.38	182	181	13	+
58	80	8	5	-	Liby S	.38	182	181	13	+
58	80	8	5	-	Liby T	.38	182	181	13	+
58	80	8	5	-	Liby U	.38	182	181	13	+
58	80	8	5	-	Liby V	.38	182	181	13	+
58	80	8	5	-	Liby W	.38	182	181	13	+
58	80	8	5	-	Liby X	.38	182	181	13	+
58	80	8	5	-	Liby Y	.38	182	181	13	+
58	80	8	5	-	Liby Z	.38	182	181	13	+
58	80	8	5	-	Liby AA	.38	182	181	13	+
58	80	8	5	-	Liby AB	.38	182	181	13	+
58	80	8	5	-	Liby AC	.38	182	181	13	+
58	80	8	5	-	Liby AD	.38	182	181	13	+
58	80	8	5	-	Liby AE	.38	182	181	13	+
58	80	8	5	-	Liby AF	.38	182	181	13	+
58	80	8	5	-	Liby AG	.38	182	181	13	+
58	80	8	5	-	Liby AH	.38	182	181	13	+
58	80	8	5	-	Liby AI	.38	182	181	13	+
58	80	8	5	-	Liby AJ	.38	182	181	13	+
58	80	8	5	-	Liby AK	.38	182	181	13	+
58	80	8	5	-	Liby AL	.38	182	181	13	+
58	80	8	5	-	Liby AM	.38	182	181	13	+
58	80	8	5	-	Liby AN	.38	182	181	13	+
58	80	8	5	-	Liby AO	.38	182	181	13	+
58	80	8	5	-	Liby AP	.38	182	181	13	+
58	80	8	5	-	Liby AQ	.38	182	181	13	+
58	80	8	5	-	Liby AR	.38	182	181	13	+
58	80	8	5	-	Liby AS	.38	182	181	13	+
58	80	8	5	-	Liby AT	.38	182	181	13	+
58	80	8	5	-	Liby AU	.38	182	181	13	+
58	80	8	5	-	Liby AV	.38	182	181	13	+
58	80	8	5	-	Liby AW	.38	182	181	13	+
58	80	8	5	-	Liby AX	.38	182	181	13	+
58	80	8	5	-	Liby AY	.38	182	181	13	+
58	80	8	5	-	Liby AZ	.38	182	181	13	+
58	80	8	5	-	Liby BA	.38	182	181	13	+
58	80	8	5	-	Liby BB	.38	182	181	13	+
58	80	8	5	-	Liby BC	.38	182	181	13	+
58	80	8	5	-	Liby BD	.38	182	181	13	+
58	80	8	5	-	Liby BE	.38	182	181	13	+
58	80	8	5	-	Liby BF	.38	182	181	13	+
58	80	8	5	-	Liby BG	.38	182	181	13	+
58	80	8	5	-	Liby BH	.38	182	181	13	+
58	80	8	5	-	Liby BI	.38	182	181	13	+
58	80	8	5	-	Liby BJ	.38	182	181	13	+
58	80	8	5	-	Liby BK	.38	182	181	13	+
58	80	8	5	-	Liby BL	.38	182	181	13	+
58	80	8	5	-	Liby BM	.38	182	181	13	+
58	80	8	5	-	Liby BN	.38	182	181	13	+
58	80	8	5	-	Liby BO	.38	182	181	13	+
58	80	8	5	-	Liby BP	.38	182	181	13	+
58	80	8	5	-	Liby BQ	.38	182	181	13	+
58	80	8	5	-	Liby BR	.38	182	181	13	+
58	80	8	5	-	Liby BS	.38	182	181	13	+
58	80	8	5	-	Liby BT	.38	182	181	13	+
58	80	8	5	-	Liby BU	.38	182	181	13	+
58	80	8	5	-	Liby BV	.38	182	181	13	+
58	80	8	5	-	Liby BW	.38	182	181	13	+
58	80	8	5	-	Liby BX	.38	182	181	13	+
58	80	8	5	-	Liby BY	.38	182	181	13	+
58	80	8	5	-	Liby BZ	.38	182	181	13	+
58	80	8	5	-	Liby CA	.38	182	181	13	+
58	80	8	5	-	Liby CB	.38	182	181	13	+
58	80	8	5	-	Liby CC	.38	182	181	13	+
58	80	8	5	-	Liby CD	.38	182	181	13	+
58	80	8	5	-	Liby CE	.38	182	181	13	+
58	80	8	5	-	Liby CF	.38	182	181	13	+
58	80	8	5	-	Liby CG	.38	182	181	13	+
58	80	8	5	-	Liby CH	.38	182	181	13	+
58	80	8	5	-	Liby CI	.38	182	181	13	+
58	80	8	5	-	Liby CJ	.38	182	181	13	+
58	80	8	5	-	Liby CK	.38	182	181	13	+
58	80	8	5	-	Liby CL	.38	182	181	13	+
58	80	8	5	-	Liby CM	.38	182	181	13	+
58	80	8	5	-	Liby CN	.38	182	181	13	+
58	80	8	5	-	Liby CO	.38	182	181	13	+
58	80	8	5	-	Liby CP	.38	182	181	13	+
58	80	8	5	-	Liby CQ	.38	182	181	13	+
58	80	8	5	-	Liby CR	.38	182	181	13	+
58	80	8	5	-	Liby CS	.38	182	181	13	+
58	80	8	5	-	Liby CT	.38	182	181	13	+
58	80	8	5	-	Liby CU	.38	182	181	13	+
58	80	8	5	-	Liby CV	.38	182	181	13	+
58	80	8	5	-	Liby CW	.38	182	181	13	+
58	80	8	5	-	Liby CX	.38	182	181	13	+
58	80	8	5	-	Liby CY	.38	182	181	13	+
58	80	8	5	-	Liby CZ	.38	182	181	13	+
58	80	8	5	-	Liby DA	.38	182	181	13	+
58	80	8	5	-	Liby DB	.38	182	181	13	+
58	80	8	5	-	Liby DC	.38	182	181	13	+
58	80	8	5	-	Liby DD	.38	182	181	13	+
58	80	8	5	-	Liby DE	.38	182	181	13	+
58	80	8	5	-	Liby DF	.38	182	181	13	+
58	80	8	5	-	Liby DG	.38	182	181	13	+
58	80	8	5	-	Liby DH	.38	182	181	13	+
58	80	8	5	-	Liby DI	.38	182	181	13	+
58	80	8	5	-	Liby DJ	.38	182	181	13	+
58	80	8	5	-	Liby DK	.38	182	181	13	+
58	80	8	5	-	Liby DL	.38	182	181	13	+
58	80	8	5	-	Liby DM	.38	182	181	13	+
58	80	8	5	-	Liby DN	.38	182	181	13	+
58	80	8	5	-	Liby DO	.38	182	181	13	+
58	80	8	5	-	Liby DP	.38	182	181	13	+
58	80	8	5	-	Liby DQ	.38	182	181	13	+
58	80	8	5	-	Liby DR	.38	182	181	13	+
58	80	8	5	-	Liby DS	.38	182	181	13	+
58	80	8	5	-	Liby DT	.38	182	181	13	+
58	80	8	5	-	Liby DU	.38	182	181	13	+
58	80	8	5	-	Liby DV	.38	182	181	13	+
58	80	8	5	-	Liby DW	.38	182	181	13	+
58	80	8	5	-	Liby DX	.38	182	181	13	+
58	80	8	5	-	Liby DY	.38	182	181	13	+
58	80	8	5	-	Liby DZ	.38	182	181	13	+
58	80	8	5	-	Liby EA	.38	182	181	13	+
58	80	8	5	-	Liby EB	.38	182	181	13	+
58	80	8	5	-	Liby EC	.38	182	181	13	+
58	80	8	5	-	Liby ED	.38	182	181	13	+
58	80	8	5	-	Liby EE	.38	182	181	13	+
58	80	8	5	-	Liby EF	.38	182	181	13	+
58	80	8	5	-	Liby EG	.38	182	181	13	+
58	80	8	5	-	Liby EH	.38	182	181	13	+
58	80	8	5	-	Liby EI	.38	182	181	13	+
58	80	8	5	-	Liby EJ	.38	182	181	13	+
58	80	8	5	-	Liby EK	.38	182	181	13	+
58	80	8	5	-	Liby EL	.38	182	181	13	+
58	80	8	5	-	Liby EM	.38	182	181	13	+
58	80	8	5	-	Liby EN	.38	182	181	13	+
58	80	8	5	-	Liby EO	.38	182	181	13	+
58	80	8	5	-	Liby EP	.38	182	181	13	+
58	80	8	5	-	Liby EQ	.38	182	181	13	+
58	80	8	5	-	Liby ER	.38	182	181	13	+
58	80	8	5	-	Liby ES	.38	182	181	13	+
58	80	8	5	-	Liby ET	.38	182	181	13	+
58	80	8	5	-	Liby EU	.38	182	181	13	+
58	80	8	5	-	Liby EV	.38	182	181	13	+
58	80	8	5	-	Liby EW	.38	182	181	13	+
58	80	8	5	-	Liby EX	.38	182	181	13	+
58	80	8	5	-	Liby EY	.38	182	181	13	+
58	80	8	5	-	Liby EZ	.38	182	181	13	+
58	80	8	5	-	Liby FA	.38	182	18		

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Continued on Page 41

NEW YORK <small>DOW JONES</small>									
	May 20	May 19	May 15	May 14	May 13	May 10	1985		Since Completion
							High	Low	
Industrials	1,304.55 ¹	1,270.95	1,273.52	1,272.3	1,277.5	1,274.18	1,289.35 (1/2)	1,184.00 (4/3)	1,289.35 (1/3/85) 41.22
Transport	829.10 ¹	817.60	811.18	808.72	817.38	817.83	835.38 (1/3)	803.83 (7/13/85)	835.38 (1/3/85) 42.32
Utilities	185.21 ¹	181.83	180.21	180.70	181.85	183.73	185.73 (10/3)	148.54	185.72 204/4/85 78.5
Trading vol	-	-	180m	87.3m	85.2m	148.2	-	-	204/4/85
Total Vol (Millions)							4.91	4.93	4.78
Total Vol (Billion)							4.91	4.93	4.78

STANDARD AND POOLS										
	May '20	May '16	May '15	May '14	May '12	May '10	1995		Since Completion	
							High	Low	High	Low
Industrials	240.95	286.27	284.28	352.80	294.25	230.65	265.16	167.24	295.15	133.37
							310.93	164.94	310.93	164.94
Composites	169.88	195.95	194.54	163.81	194.91	194.28	194.83 (5/2)	163.80 (4/7)	204.51 (3/29)	149.91 (10/22)

	May 1	April 24	April 17	Year Ends (Approx)
Int'l. yield %	3.83	3.94	3.85	3.93
Int'l. P/E Ratio	11.29	11.22	11.27	12.42
Int'l. Dividend Yield	2.94	2.94	2.97	2.97

W.Y.E.E ALL COMMON				INDEX AND FALLS					
				1985					
May 28	May 18	May 15	May 14	High	Low	May 15	May 14	May 13	
198.98	197.58	198.87	198.48	198.57 (15/9)	94.88 (4/1)	Index traded Flows Falls Unchanged	1,591 942 588 483	2,012 770 838 444	1,988 1,368 988 481

	Stocks Traded	3.30 a.m. Price	Change on Day		Stocks Traded	3.30 a.m. Price	Change on Day
AT&T	2,259,520	24	+ 1/2	Levins	1,382,220	59 1/2	+ 1
IBM -24	1,675,400	44 1/2	- 1/8	Parkes Corp	1,320,000	8	+ 1/8
Colo Ed	1,659,500	40 1/2	- 1/8	Ward	1,250,500	23 1/2	+ 1/8
McC-Sa	1,516,100	44 1/2	+ 3/8	Sorrey D	1,223,100	10 1/2	+ 1/8
IBM	1,479,200	133	+2 1/2	AM Express	1,124,200	45 1/2	+ 1/8
Advances	1,253	Declines	488				

Mutual Fund	May 20	May 18	May 15	May 14	1985	
					High	Low
Mutual Shares Composite	closed	2,615.8	1,897.8	2,616.8	2190.7 (19/2)	1898.8 (4/1)
	closed	1,705.5	2,672.2	2,680.8	2872.2 (19/6)	2348.5 (8/1)
MONITORING Portfolio	closed	123.11	131.12	130.86	132.77 (5/2)	117.88 (4/1)

* Indicates pre-close figure

	May 20	May 17	May 16	May 15	High	19/85	Low
AUSTRALIA All ord.(1/1/80)	504.5	501.4	502.7	505.5	504.6 (20/8)	715.8 (7/1)	
Metals & Minis. (1/1/80)	505.5	508.2	502.0	507.5	504.5 (20/8)	565.5 (7/1)	
AUSTRIA Credit Aktien (7/1/82)	34.47	37.28		37.51	35.28 (10/5)		35.81 (24/5)
BELGIUM Brussels SE (1/1/80)	2220.51		(c)	2257.75	2210.55 (15/8)	2260.7 (10/7)	
DENMARK Copenhagen SE (8/1/83)	(u)	100.81	(c)	107.10	109.25 (20/8)		

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	1975-76				1976-77	
APHAN*						
Mikol-Dow (14/10)	1229.14	13436.00	13268.00	12354.95	12285.55(4)	11845.55 (4/1)
KOYO SE New (4/10)	884.87	574.06	669.56	567.87	1000.00(2)	919.56 (3/1)
ETHELAND						
NP-CSS General (1976)	297.5	297.5	(a)	298.1	215.5 (3.6)	298.5 (3/1)
NP-CSS Indusl (1976)	179.5			171.5	113.5 (3.1)	147.5 (3/1)
NORWAY						
sio SE (4/10)	538.75	(c)	(c)	538.57	545.5 (3.8)	599.16 (2/1)
INDONESIA						
Kratas Times (1980)	575.06	622.56	575.06	575.06		

SOUTH AFRICA				1978.57	1978.57(1)	294.36	(181)
SE Gold (23/7/78)							
SE Indent (23/7/78)	1078.5	(c)	—	1748.17(16)		626.11(15)	
	322.1	(c)	—	157.47(14)		797.37(7)	
PAIN							
Spain SE (20/12/74)	110.57	110.53	11.41	(c)	114.71(14)	101.46	
Sweden							
Sweden & P (11/5/8)	1417.56	1461.95	(c)	1,324.19	1488.56(17)	1351.58	(21)
SWITZERLAND							
Wessling Coo. (21/12/8)	482.8	431.1	(c)	429.8	433.81(15)	388.77	(51)

** Saturday May 18: Japan Nikkal-Dow 12,518.14, TSE 982.83.
 Base value of all indices are 100 except JSE Gold 286.7, JSE Industrial-
 4.3, and Australia, All Ordinary and Metals-500. NYSE All Commodities-
 100, NYSE All Stocks-100, and Toronto Composite 477/65. 1 Including bonds, 2 400
 Australia plus 40 Utilities, 40 Financials and 20 Transport. 3 Closed.
 4 Unavailable.

...the fact that the *Journal* is not a journal of the American Psychological Association, but a journal of the American Psychological Society, which is a much smaller organization.

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حَكَرًا مِنَ الْأَصْلِ

Manufacturers Life Insurance Co (UN)		Property Equity & Life Ass. Co.	
51 George's Way, Steveston		Baner Ave, Southport SS2 6TH.	
(0430 356101)		(0702 353433)	
Standard	298.7	R. Silt Prop. Bond	272.8
Property	122.6	Int. Man. Cray. Bd. Fd.	207.6
Energy	126.9	Pleasant Prop. Sd. Fd.	131.4
Gift Exempt	226.9	Pleasant Money Bd. Fd.	263.9
Debt	110.1		
Investment	226.4		

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حَكَرًا عَنِ الْأَرْضِ

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COMMODITIES AND AGRICULTURE

Copper stocks
rise sends
values lower

BY ANDREW GOWERS

A SHARP rise in London Metal Exchange (LME) warehouse stocks prompted another battering for the copper price yesterday.

The cash price of higher grade copper fell 51s to \$1,168.50 a tonne at the close, and the three-month price, which rose above the cash price for the first time in weeks on Friday, widened the gap further.

By the end of last week, according to figures released yesterday, LME stocks had risen by 15,575 tonnes to 100,950 tonnes. This was their second consecutive rise following a long decline, and served as further confirmation that the recent squeeze on immediately available supplies has slackened off.

Dealers expressed no surprise at the rise in stocks, which largely reflected the large premium which the cash price has recently shown over the three-month price. This gap reached more than \$115 at one stage two weeks ago.

But they said the development came as another blow to an already fragile copper market. "The one thing that was holding up the market's hopes was the tight state of stocks on the LME," said one broker. "That prop has now been kicked away."

Other base metal prices also fell on the LME yesterday, mainly reflecting sterling's renewed strength against the dollar during the morning. Tin showed the heaviest losses, with three-months standard grade tin ending the day at \$9,457.50 a tonne 52s down from Friday afternoon's level of \$9,350, pushing it up to \$9,430, and its continuing support held prices steady during the afternoon as sterling slipped from its highest levels of the day against the dollar.

The cash price, however, remained at a premium over the three-month price.

Sharp fall
in coffee
market as
£ firms

STERLING'S firmness against the dollar yesterday brought another sharp fall in the London coffee futures market. The July position added 22s to last week's \$21.50 decline taking the price to \$21.28 a tonne.

The July price had reached a low of \$21.04 a tonne at one stage before steadying on trade and speculative buying. But dealers said the lower price levels attracted little interest from roasters, who are reported to be well covered following recent purchases from Brazil and Colombia.

● FIJI'S 1985 sugar harvest began yesterday after settlement of a two-week long dispute between growers and the Fiji Sugar Corporation over prices. Industry leaders said in Suva, Corporation acting chief executive Mr Gautam Ramaswami said cane was being cut in all districts and the corporation's four mills would be running normally by today. Thousands of Fiji's 22,000 small growers had refused to cut their cane in protest at the forecast price for the year—\$17.50 (£12) a tonne, the lowest for 10 years.

The deadlock was broken over the weekend when the corporation revised its forecast price to more than \$20 a tonne, and to cash advances for harvesting and transport.

● THE STARTING date for the Amsterdam gold futures market has been set for May 29 after final approval was given by the Finance Ministry, the Goudhandelmarkt Amsterdam BV said.

Initial contract months will be July, August, October, December and following every month up to and including June. Contracts will be expressed in guilders per gram, with trading in units of 500 grams.

The market will operate from 1000 to 1630 local time, the same hours as the European Options Exchange.

● U.S. ROASTINGS of green coffee in the week ending May 17 were about 300,000 (60 kilo) bags, including that used for soluble production, compared with 315,000 bags in the corresponding week of last year and about 340,000 bags in the week ending May 4. George Gordon Paton and Co Inc said.

A CYNIC could be excused for thinking that the Ministry of Agriculture, panicked by the current overproduction of almost everything agricultural is savaging the research and advisory services which have been partly responsible for boosting yields. How else can one account for the closure of the Weed Research Organisation and the Letcombe Laboratory. These are two of the newest establishments and are very much oriented to practical problems—namely weed control and soil structure. Now there are threats to the Plant Breeding Institute at Cambridge, responsible for many of the new breeds of high yielding cereals, and to the Babraham Institute for Animal Physiology. Part of the latter Institute is expected to be sold to a commercial firm.

Stung by these criticisms the Agriculture and Food Research Council has issued a discussion document entitled "A Long Term View" in which the chairman, Lord Selborne is asking interested people for guidance in all districts and the corporation's four mills would be running normally by today. Thousands of Fiji's 22,000 small growers had refused to cut their cane in protest at the forecast price for the year—\$17.50 (£12) a tonne, the lowest for 10 years.

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Research in a cold climate

Farmer's viewpoint: John Cherrington examines the effect of Government cuts in scientific back-up for the agricultural industry.

The prime factor behind the council's determination is the fact that its funds are to be slashed by a further £10m in 1986 and £20m in 1987. This financial attack is paralleled by a reduction in expenditure on the Agricultural Development and Advisory Service (ADAS). This will be replaced by charging farmers for some of the services provided.

The scientific establishment has been very much upset by the climate of uncertainty that has arisen. No one really knows which branches of research are to be retained and which discarded. Professor J. L. Jinks of the AFRC implied that the present number of Institute directors is to be reduced from 27 to no more than 10.

He denied that financial constraints were the only criteria. Demands on research were bound to reflect changes in economic circumstances. For instance the demand now was for higher quality cereals whereas the very successful high yielding British wheats were of animal feed quality.

Some scientists are aggrieved that farmers have not clamoured particularly strongly for the full retention of the service, and they have been

saddened by the fact that farmers are not offering to fund some of the research effort themselves. In fact they already do. The Norfolk Agricultural Station began as a farmer-funded body and there are occasional instances of farmer finance to sponsor special projects. In general, however, farmers are content to accept Government sponsored research as a matter of right.

They are far from being alone in this. Most developed countries have government-funded agricultural research. The only one I can think of that used not to be Denmark, where much of the research was carried on by farmer-funded co-operatives. Government involvement was regarded as necessary in most countries because farmers, being a fragmented society, would be unable to organise research themselves.

Also at various times governments found it essential to try to grow more food. New Zealand, for instance, wanted more food for exports while Britain sought to build up domestic supplies following wartime shortages.

New Zealand was most successful in its research programmes based at Ruia Kura

which over a few years effectively doubled the production of meat and butter per acre. The British Department of Agriculture did the same.

In Britain the move was towards more fundamental research and the results were much less visible to farmers, who tend to be sceptical of the value of the rather ivory tower atmosphere of the AFRC.

But they are not left in ignorance of scientific progress. Thanks to the prosperity of farming over the last few years, commercial interests have concerned themselves with educating farmers about the benefits of new technology. A farmer has to be pretty strong minded to ignore the barrage of information which clutters his postbag and the pages of his specialist magazines. Most of this is backed by research, both private and public, and is generally worthy of attention.

So it could be argued that the Government could quietly devote its funds to other uses leaving commercial interests to foot the farm research bill. It would probably work, but it would be a pity. The production was concerned and, as long as there was plenty of competition between firms, should not cost farmers too much. In that case any Government involvement would need to be no more than a monitoring agency or perhaps for a medium of fundamental, as opposed to practical research. This, I might add, is not my solution. I haven't one.

African
farm aid
programme
agreed

AN AID programme which will give additional resources to drought-hit African countries was given the go-ahead at a meeting held over the weekend in Rome.

The International Fund for Agricultural Development (IFAD), a United Nations agency which helps third-world farmers, said the programme will include a fund-raising campaign aimed at mobilising at least \$300m over the next four years.

The cash will help improve conditions in sub-Saharan Africa. The agency's funding crisis continues to place a question mark against its future. However, writes a special correspondent, the main obstacle to the eighth round of consultations on a second replenishment of funds, was adjourned with no decision having been taken.

IFAD was established in 1973 with the aim of providing assistance to agriculture in the third world, and particularly to small holders and the landless poor. Its initial funding for the triennium 1978-80 amounted to about \$1bn.

A first replenishment of funds for the agency's second triennium brought \$1.1bn though this period was later extended to cover 1984.

Consultation meetings to decide on a second replenishment of funds started in July 1983. The main obstacle to agreement has been the issue of burden-sharing between the two main donor groups (Category I OECD countries provided 56 per cent of the first replenishment and Category II, 44 per cent). The total level for the second replenishment.

The suspension of the eighth round of consultations was caused by the refusal of the U.S. to make a commitment on a further contribution. All members of Category II were prepared to make firm pledges towards a higher level determined at February's meeting. Nineteen members of Category I were also in a position to reciprocate and make firm commitments; but one at this stage was not ready to join the consensus, said IFAD's president, Mr Idries Jazairy.

UK merchants plan
more grain stores

BY ANDREW GOWERS

BRITAIN'S AGRICULTURAL merchants and co-operatives are planning to boost their grain storage capacity by more than a quarter over the next two years following last autumn's record UK cereals harvest.

This is the main finding of a poll conducted by the weekly publication Agricultural Supply Industry. The magazine forecasts that investment in new grain storage capacity over the next five years will total \$40m, following EEC-aided expenditure of around \$50m since 1979.

The survey's conclusions underline the emergence of Britain as a leading cereals

producer and exporter since the 1970s, as production has soared under the influence of EEC price incentives.

In the marketing year 1978-79 the UK produced 17.4m tonnes of grain, of which it exported only 1.7m tonnes. Last autumn, however, record yields boosted the harvest above 26m tonnes, and exports had reached 4.3m tonnes by the end of March.

On the basis of returns from a questionnaire circulated to merchants and co-operatives, Agricultural Supply Industry estimates that total storage capacity could rise by about 10m tonnes to 6m between now and 1987.

British wheat area down

BY OUR COMMODITIES STAFF

THE AREA sown to wheat in the UK has fallen this year for the first time since 1977, according to a plantings survey published yesterday by the Home Grown Cereals Authority (HGCA).

On the basis of last year's record, plantings are estimated at 1.8m hectares for this year's harvest, compared with last year's record of 1.94m. The total area sown to wheat, barley and oats is an estimated 4.02m in 1984, says the HGCA. On the basis of last year's record yields, that would produce a total crop of 26.2m tonnes, against last year's 36.4m.

Most preliminary assessments

suggest, however, that this year's yields will not be nearly as large as last year's, owing to poor planting weather last autumn and bad weather during the spring growing season.

On the basis of the yield trend over the past decade, the crop would weigh in at 26m tonnes.

The survey shows that barley plantings are little changed from last year at 1.98m hectares, while oat sowing has increased by 38 per cent in England and Wales and by nearly 25 per cent in Scotland, bringing the estimated UK area under oats to 142,000 hectares, its highest level since 1951.

Tea prices up again

BY OUR COMMODITIES STAFF

LAST WEEK'S upturn in international tea market prices was maintained at yesterday's London auction. At 1800 a kilo medium grade tea added another 5p to last week's 5p rise, which ended a run of 13 successive declines. Quality grade tea, which was unquoted last week, averaged 195p a kilo and medium grade gained 3p to 118p a kilo.

A total of 37,114 packages were offered at yesterday's auction, including 5,600 in the offshore section.

The Tea Brokers' Association said Assams received much better support than at recent sales

but demand for Bangladesh teas remained irregular. There was keen competition for best East Assam CTC (cut, tear and curl) types while medium grades gained 5p to 10p a kilo. There were few buyers for poorer East African grades, however.

It was a similar story for Central Africans with better types advancing 3p to 5p a kilo but plainer types making no change.

Ceylons met more general enquiry, the association said, and fetched up to 10p a kilo more than at last week's sale.

Offshore teas attracted only limited demand with brighter sorts about steady and lesser types easier.

LONDON MARKETS

BASE METALS

LME prices supplied by Amalgamated Metal Trading

ALUMINIUM

Unofficial + or - High/Low
Official closing (am): Cash 984.5 (977.5), three months 988.0 (988.0), settlement 984.5 (977.5). Final Korb close 988.0. Turnover: 15,525 tonnes (4495-95), three months 4300.70.

COPPER

Unofficial + or - High/Low
Official closing (am): Cash 1,156.5 (1,156.5), settlement 1,157.5 (1,157.5), three months 1,156.5 (1,156.5). Final Korb close 1,156.5.

LEAD

Unofficial + or - High/Low
Official closing (am): Cash 290.0 (285.0), three months 297.5 (301.5), settlement 290.0 (285.0). Final Korb close 290.0. Turnover: 1,152 tonnes. 5. Spot: 20.0-21.0 cents per pound.

NICKEL

Unofficial + or - High/Low
Official closing (am): Cash 4500.0 (4420.0), settlement 4500.0 (4420.0). Final Korb close 4500.0. Turnover: 1,152 tonnes.

TIN

Unofficial + or - High/Low
Official closing (am): Cash 5,447.50 (5,447.50), settlement 5,447.50 (5,447.50). Final Korb close 5,447.50. Turnover: 1,425 tonnes. Straits tin 2m. 29.32 (29.18) kilo.

ZINC

Unofficial + or - High/Low
Official closing (am): Cash 629.5 (645.5), three months 638.5 (645.5), settlement 629.5 (645.5). Final Korb close 629.5. Turnover: 10,225 tonnes. 5. Prime Western: 45.50-47.50 cents per pound.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS
Aluminium: \$1100 - \$1100
Copper: \$1156.5 - \$1156.5
Lead: \$290.0 - \$290.0
Nickel: \$4500.0 - \$4500.0
Tin: \$5447.50 - \$5447.50
Zinc: \$629.5 - \$629.5

GRAINS
Wheat: 118.50 - 118.50
Barley: 122.00 - 122.00
Oats: 125.00 - 125.00
Rye: 128.00 - 128.00
Sorghum: 130.00 - 130.00
Soybeans: 135.00 - 135.00
Wheat: 118.50 - 118.50
Barley: 122.00 - 122.00
Oats: 125.00 - 125.00
Rye: 128.00 - 128.00
Sorghum: 130.00 - 130.00
Soybeans: 135.00 - 135.00

GOLD
Gold 999.9: \$323.24 - \$323.24
Gold 999.5: \$323.24 - \$323.24
Gold 999.0: \$323.24 - \$323.24
Gold 998.5: \$323.24 - \$323.24
Gold 998.0: \$323.24 - \$323.24
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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Discount rate cut hits dollar

The dollar closed near its highest levels of the day on the London foreign exchange market and continued to move higher immediately after New York. There is little change in underlying sentiment however, and the U.S. currency was well below Friday's closing level in London following the cut of 1/4 per cent to 7 1/4 per cent in the Federal Reserve's discount rate. The Federal Open Market Committee meets today, but is now expected to result in little of interest to the market, since it is already expected that the central bank is tending towards an easier monetary policy. This follows last week's economic data, which did nothing to suggest a sharp rebound in growth this quarter. First quarter gross national product will be revised today, and is expected to be below the previous estimate of 1.3 per cent growth.

The dollar fell to DM 3.0340 from DM 3.0685; FF 9.26 from FF 9.375; Sfr 2.6625 from Sfr 2.6825; and ¥249.60 from ¥250.05.

On Bank of England figures the dollar's index fell to 143.9 from 144.2. Sterling

STERLING - Trading range

against the dollar in 1985 is 1.2940 to 1.4325. April average 1.3414. Exchange rate index rose 1.7 to 79.7. It opened at the day's peak of 80.0, but quickly retreated to the low of 79.6 at 9 a.m. and then trading between 79.7 and 79.9 for the rest of the day. The figure six months ago was 76.0.

Sterling again attracted funds moving away from the dollar, due to London's high level of interest rates, and little prospect of any early change after the latest money supply and bank lending figures. The pound touched a peak of \$1.2940 and closed 1.76 cents higher on the day at \$1.2930-1.2930. Sterling

also rose to DM 3.8925 from DM 3.8825, and ¥320 from ¥317, and fell to FF 11.8450 from FF 11.8575.

D-MARK - Trading range against the dollar in 1985 is 3.4510 to 3.9725. April average 3.8524. Exchange rate index 122.6 against 123.1 six months ago.

The D-mark rose against the dollar on the Frankfurt market at its lowest level since April 22. At the Frankfurt closing the dollar fell to DM 3.0325 compared with DM 3.0615 on Friday. The Bundesbank did not intervene. The market was quiet ahead of

today's revised first quarter GNP figure, but the underlying trend was set by Friday's reduction in the Federal Reserve's discount rate. Little commercial business was seen during the afternoon, but activity in the morning was quite high. After touching a low of DM 3.0150 the dollar closed at DM 3.0245 compared with DM 3.0785 on Friday. Some commercial demand was seen above the DM 3.01 level and some technical resistance is also expected at this point if the dollar continues to fall.

£ IN NEW YORK

2 spot 81.2740-1.2740 81.2740-1.2719

1 month 0.6545-0.6545 0.6545-0.6527

3 months 1.4913-1.4913 1.4913-1.4895

6 months 0.7660-0.7660 0.7660-0.7642

12 months 0.7660-0.7660 0.7660-0.7642

Forward premiums and discounts apply to the U.S. dollar.

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FINANCIAL FUTURES

Sharp rise

Values were marked up in the London International Financial Futures Exchange yesterday, following Friday's cut in the U.S. discount rate to 7 1/4 per cent. A fall in the rate had been expected but the timing in early trading was a surprise, today's meeting of the Federal Open Market Committee. Speculation increased over a further downturn in U.S. economic growth with dealers suggesting that the Fed's latest move was principally a method to stimulate the domestic economy. [The situation may be clearer]

after today's final first quarter GNP figures are released. Most sources expect a further downward move from the previous revision which showed a 1.3 per cent rise. Consequently Euro-dollar prices were marked up in early trading, but tended to stabilise amid adjustment of both long and short positions. Sterling based instruments were firm and while gilt prices finished at the high, underpinned by a strong upward surge in the U.S. bond market, sterling deposits finished slightly off the best levels. The sterner trend was inhibited to some extent by a decline in U.S. rates and sterling's strong performance, there was some degree of concern over recent inflation trends and UK money supply growth.

U.S. TREASURY BONDS 3% 6/90, 0000

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1 1/2% 6/90, 0000

1% 6/90, 0000

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1/2% 6/90, 0000

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1/64% 6/90, 0000

1/128% 6/90, 0000

1/256% 6/90, 0000

1/512% 6/90, 0000

1/1024% 6/90, 0000

1/2048% 6/90, 0000

1/4096% 6/90, 0000

1/8192% 6/90, 0000

1/16384% 6/90, 0000

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